





## **Paris aims to cut deficit to FFr80bn in 1991**

**ministry.**

Civil research spending is set for a 7.5 per cent rise to FF48bn. Another area to get a bigger rise than average is culture where Mr Jack Lang, the minister, who has a reputation as a tough bargainer, needs to finance a new national library next year and is receiving a 17 per cent boost.

Foreign affairs receives a 9 per cent increase on the grounds that extra resources are needed to boost the French presence in eastern Europe, while environment is due for a 16 per cent increase.

# Lithuanians and Latvians challenge Moscow rule again

## Cigarette famine is more than just a drag for Soviet smoker

## Cigarette famine is more than just a drag for Soviet smoker

neighbouring Azerbaijan, has failed to maintain supplies of silver foil, so proper cigarette packs can no longer be made. Another in Latvia has consistently failed to deliver the filter tips and cigarette tips it is supposed to send to all the main tobacco plants – in Sverdlovsk, Rostov-on-Don, Kirov-

Not only that, but the tobacco growers of Moldavia have drastically reduced the acreage under tobacco production in favor of more food crops.

## Greece calls Turkish behaviour 'erratic'

domed since Turkish troops invaded Cyprus in 1974 following a short-lived coup in Nicosia orchestrated by the military. The military is ruling Cyprus.

The reports sparked speculation that Turkish-Cypriot leader Mr Rauf Denktaş planned to settle the once-pre dominantly Greek-Cypriot resort. Mr Mitsotakis told reporters he had concluded "with sadness that Turkey had lost the opportunity to end what was reacting erratically."

"Turkey must realise, it is impossible for the occupation by foreign troops of part of an independent country such as Cyprus to continue," he said.

There are 25,000 Turkish troops in the Turkish Republic of Northern Cyprus which is recognised only by Ankara.

## Budapest takes over control of privatisation

# France set

By William Dawkins in Paris

THE FRENCH Government is to intensify its policy of budgetary toughness and is aiming to reduce its budget deficit next year by FFr10bn to FFr50bn (\$2bn).

Mr Michel Rocard, the Prime Minister, yesterday finalised the spending side of the 1981 budget which envisages a 5.4 per cent rise in public spending to FFr1,255bn, slightly below the forecast 5.5 per cent nominal growth in gross national product. It will be presented to parliament in the autumn.

The lower deficit will come partly from extra tax revenue generated through real economic growth. Inflation next

## France settles next year's spending plans

On spending, 80 per cent of which will go on teachers' salaries. Education is the largest spending ministry. Civil service spending will go up 5 per cent to FF448bn.

Another area to get a bigger slice than average is culture, says Jacques Back, the minister, who has a reputation for being a bargain hunter, needs to finance a new national library next year and will receive a 17 per cent boost. Foreign affairs gets a 9 per cent increase on the grounds that extra troops will be needed to boost the French presence in eastern Europe. The environment is due for a 15 per cent rise.

## Europeans wonder at dim UK view across the Channel

focused on what Bonn wants to make of the so-called phase two of the process towards EMU - the transition period after the signing of the treaty which should lead to fixed exchange rates and a European central bank.

union was vague about the characteristics and duration of phase two. In discussing EMU with his fellow central bankers, Mr Karl Otto Pöhl, the Bundesbank president, is said to have given the impression that he wants the minutest details settled of the final stage of monetary union without building a phase two bridge for achieving it.

If Germany decides that it wants to postpone EMU, it may find itself making common cause with the UK in defining a phase two which offers no certainty, no deadline for, achieving monetary union.

## Brussels imposes token fine on stainless steel cartel

**SEVEN LARGE** European steel producers were found guilty by the Brussels Commission yesterday of operating a price and production cartel in stainless steel. They were fined a token Ecu25,000 (£288,000).

The Commission admitted the fine was out of all proportion to the scale of the infringement, a "serious infringement of the competition rules." However, it justified its decision by arguing that the whole steel market was so highly protected that companies might have gained the upper hand if the competition rules did not apply.

None the less, it warned producers that steel would no longer be considered a special case, and that further moves to pervert the free market would be met with "the same and other measures."

Between 1966 and 1988 all of the largest stainless steel producers — including British Steel, Krupp Stahl of West Germany and Ugine Aciers de Chatillon of France — agreed an illegal quota and prices system covering all European countries and a wide range of steel products.

This was in breach of the European Coal and Steel Treaty, and came to an end in 1988, following a complaint from the Commission.

However, one of the few areas not covered by legal cartels operated by the Commission which were themselves phased out 18 months ago when all remaining steel quotas were abolished.

The fine is bound to be seen by consumers as a sop to

## Proposals may ease airline rules

**PROPOSALS** to soften the impact of deregulation on European airlines were tabled yesterday by the European Commission.

The ideas - which will form the basis of talks between Brussels, airlines, and airline users across the EC - will allow carriers to conduct limited consultations with each other over fares and to maintain their involvement in the allocation of "slots" at airports in the run up to full liberalisation on January 1 1993.

Although highly technical, the so-called "block exemptions" to EC competition rules illustrate the contrast between the gradualist approach to airline reform in Europe and the more radical measures taken

Officials in Brussels admit that fares have tumbled much more dramatically in North America — but they point out that some changes have not necessarily benefited the consumer. One example is the virtual disappearance in the US of "interlining", whereby tickets can be issued for complex journeys involving more than one airline and passengers are able to change to another flight easily and at limited financial cost if their plans suddenly change.

The EC view is that these airlines are not yet fully able to European travellers — hence the proposal to continue allowing consultations on passenger tariffs where interline arrangements are at stake.

Sanctioning discussions on the airlines' right to landing "slots" and airport scheduling may prove more controversial with small airlines — but Brussels emphasised yesterday that this process would be based on "strong carrier" providing "genuine opportunities" at congested airports and at peak times.

Commission officials were reportedly aware that a Belgian court's ruling against Sabena World Airlines, the joint venture between Sabena, British Airways, and KLM, could have implications for EC

## E Germany to play by EC competition rules

**EAST GERMANY** has promised to abide by European Community competition rules from now on, even though it is making no claim to the German unification next year.

The pledge, made to Sir Leon Brittan, the competition Commissioner, during a visit to Berlin, follows rising concern in Brussels at a possible abuse of EC rules in East Germany, where large monopolies are being bought up by big West German companies.

Sir Leon said yesterday that companies in other member states had complained that they had not had a fair chance to win contracts in East Germany nor to participate fully in privatisation there.

The East German Government denies any discrimination but assured Sir Leon that it would ensure non-German companies had a fair deal.

It also conceded that any mergers which were the subject of complaints could be examined by the Commission. Earlier this month, Sir Leon announced an investigation of the purchases by Ruhrgas, a powerful West German gas company, of 55 per cent rights

in East Germany's transmission network.

The Commission has also written informally to Luft Hansa, Deutschebank and other West German companies concerning recent deals.

Mr Gerhard Pohl, the East German Economics Minister, and Mr Lothar De Maizière, the Prime Minister, also agreed with Sir Leon that officials from both sides would keep in close touch. Sir Leon had complained that he had only found out about some of the big mergers from the newspapers.

Sir Leon said yesterday that the Government had been given without any discussion of the legal position of applying competition law right away.

● West Germany yesterday agreed to suspend at least until the end of the year a levy tax due to have come into effect at the beginning of July, writes David Marsh in Bonn.

This followed a ruling at the end of last month by the European Court turning down the tax on the grounds that it discriminated against non-German firms and undermined more trade a common EC transport market.

## Commission plans new data protection rules

THE European Commission yesterday proposed data protection rules which would make it illegal for personal data of any sort to be transferred without an individual's knowledge.

The proposals would form the backbone of a single market in information and telecommunications services.

Different standards of protection are increasingly becoming a barrier to trade between member states. Laws in this area exist in only seven member states - West Germany, the UK, Denmark, France, Ireland, Luxembourg, and the Netherlands - and in these the protection varies widely.

Mr Filippo Maria Pandolfi, the telecommunications Com-

the new rules would harmonise conditions in member states.

The proposals would give individuals an automatic right of access to information concerning them and to correct any mistakes. It would also grant special protection for sensitive information concerning race, sexual behaviour or trade union membership.

The directive would cover private companies and be supplemented by a non-binding resolution extending the same protection to public sector files falling outside EC law.

A separate directive will concentrate on advanced computer networks, where the opportunities for hacking and piracy are different from old

## Timeshare cooling-off suggested

THE European Commission is to crack down on timeshare sharks by proposing a seven day cooling-off period to allow consumers who have rashly signed timeshare contracts to change their minds.

Its announcement came as Mr Graham Borrie, head of the UK's Office for Fair Trading had written to the Commission asking that it clean up the much-abused timeshare market.

However, the Commission's proposals do not meet the requests of Mr Borrie, who wanted a 15-day period. The Commission argues that a week gives consumers long enough to reconsider.

meshare contracts on a par with arrangements for door-to-door salesmen.

Its timshare proposals were part of a blacklist of contract clauses which give the balance of power to the supplier.

The commissioner's directive would make such clauses illegal in all member states. At the same time, it would give consumers the option for contracts to be free of unfair clauses, changes from nothing in some member states to a high level of protection in others.

The other abuses to be outlawed include clauses that:

- allow suppliers to change the terms without giving con-

- allow suppliers to escape responsibility if they do not fulfil their part of the contract;
- limit or eliminate the guarantee period of the goods;
- contain any uncertainty over price that could harm the consumer;
- remove responsibility from the supplier should the consumer die or suffer serious injury.

Mr Karel Van Miert, EC commissioner for consumer affairs, said yesterday that consumer protection needed to be harmonised as a part of the single market so that everyone would know what to expect in their

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## WORLD TRADE NEWS

## US HEADING FOR FRESH CONFRONTATION WITH BRUSSELS

## Yeutter warns EC over farm trade reform

By Peter Montagnon, World Trade Editor

THE US is heading for further confrontation with the European Community on farm trade reform unless Brussels changes its negotiating approach, Mr Clayton Yeutter, US Agriculture Secretary, said yesterday.

The Uruguay Round of trade negotiations will fail if the EC continues to insist on using an aggregate measure to reduce support for agriculture, he told a televised press conference. The so-called aggregate measure of support (AMS) is a calculation of the costs to the taxpayers of both domestic farm support and export subsidies.

Mr Yeutter said: "I hope our friends in the EC do not miscalculate or underestimate the US resolve in this respect. We cannot achieve farm trade reform unless we have significant measures in all the areas of support: domestic assistance, import barriers and

export subsidies." His warning indicates that the US remains uncertain that the compromise on farm reform reached at last week's Houston summit will produce the desired breakthrough when Uruguay Round negotiators meet again next week.

Mr Yeutter admitted that he was disappointed that the Houston declaration had not gone further, but he said there was a strong resistance from the European Community.

However, he insisted that "as a result of the Houston meeting it will be impossible for the EC any longer to resist the negotiation of definitive commitments" in all three areas.

"It would be tragic if we cannot agree a framework for the remainder of the negotiations at this stage," he added. There was very little time left, and decisions on the framework which needed to be taken now could not be put off until the autumn without placing serious strains on the negotiators.

There was an emerging consensus in favour of the farm reforms proposed by Mr Aart de Zeeuw, chief GATT agricultural official, which call for a special emphasis on reducing export subsidies.

"We simply see no redeeming qualities in export subsidies," he said. Even if they were reduced by half the EC would still have a war chest of \$5bn a year. Developing countries could not accept that.



Clayton Yeutter: "It would be tragic if we cannot agree"

He said he hoped the Geneva meeting would endorse the de Zeeuw proposals and set out a detailed timetable for further negotiation so that work could proceed throughout the holiday period.

"We have very few negotiating days left. We cannot afford to postpone serious negotiations any longer."

US farms face bankruptcy, Page 32

## Rich nations fall out over patents

DISCORD among the big industrial powers has prevented trade negotiators from producing this week a draft agreement on stronger protection for intellectual property rights.

On several crucial issues concerning copyrights, patents and industrial designs the US has taken positions which most other industrial countries are not ready to accept.

In addition, the dispute over the European Community's demand that geographical appellations of origin be protected - a vital question for European wine producers - has not been resolved.

Intellectual property rights (IPR) form one of the contested "new areas" alongside trade in services that the big western trading nations placed on the agenda of GATT's trade-liberalising Uruguay Round. They have been seeking tough GATT rules to prevent patent piracy, counterfeiting and other forms of theft of money-spinning ideas.

IPR was thought to be mainly a north-south issue, in which the rich nations were trying to persuade poorer nations to accept the need for more efficient IPR protection worldwide.

Developing countries fear that stringent protection would hinder their development and they have resisted the inclusion in GATT of a matter which they consider falls within the purview of the Geneva-based World Intellectual Property

Organisation.

Now, however, differences among the rich nations have unexpectedly emerged as serious obstacles to an agreement.

The draft text prepared by Mr Lars Anell, chairman of the IPR negotiating group, for next week's meeting of the Round's Trade Negotiations Committee

only economic rights, not the moral or personal rights of an author to determine how his work is handled.

At stake here are such matters as the splitting of a film into advertising slots and the colouring of old black-and-white films. Under US law a licensee can do more

Canada has recently amended its legislation. Other countries argue that the first-to-invent principle in practice favours domestic patent applicants over foreigners.

The US wants to introduce its own patent-orientated concept for industrial designs. This would, for instance, provide design protection for subcontractors supplying "crash parts" such as fenders to car manufacturers.

Other countries consider that the US is here turning a technical issue into a political one. They argue that the US concept would make it more difficult for other companies to compete and could hit car manufacturers' costs.

The widest gap probably exists over geographical indications, including appellations of origin for wines. The EC's demand for protection is most strongly opposed by the US but also by other former immigrant countries such as Canada, Australia and New Zealand.

According to EC officials, the US is unfairly protecting big Californian winegrowers which sell large quantities of low quality wine under the Chablis label to Canada and Japan.

Brussels objects to US consumers being supplied with a product known as champagne originating in California instead of in France. Under Community law Italian producers of sparkling wine are not allowed to call their product champagne.

## William Dullforce reports from Geneva on the Gatt talks on intellectual property rights

mirrors both these divides.

Mr Anell described his 79-page report as "essentially a compilation of options" but maintained that it could nevertheless form a basis for continuing negotiation.

Reflecting north-south differences the text outlines two basic approaches. One calls for a single agreement, encompassing all IPR issues, to be incorporated into GATT.

Under the second approach two agreements would be negotiated. The first would cover only trade in counterfeit and pirated goods and fall under GATT. The second would set out standards and principles for the use of IPR and would be implemented in the "relevant international organisation".

However, the options listed by Mr Anell also reflect serious divergences among the rich nations. A major stumbling block is US insistence that the Berne convention on copyright, which Washington signed only last year, concerns

or less what he likes with films or other intellectual works.

Under copyright again, the US wants to include in an IPR agreement its own unique legal concept that "author" refers to legal entities, such as companies, as well as to people. The EC maintains that copyright originates with natural persons but that a person can waive his right in favour of a company, as many employees do in their work contracts.

Differences persist over the rights of performers and broadcasting organisations. The US, whose performers rely on trade union agreements, opposes statutory protection for performers.

On patents a fundamental divergence has appeared between the US and the Philippines, which are the only countries to protect on a first-to-invent basis, and other countries who protect the first person to file for a patent.

The Americans say they cannot change their law, although

## Japanese watchmakers target E Europe

JAPANESE manufacturers of cheap watches are planning a big sales drive in eastern Europe, Reuters reports from Tokyo.

Citizen plans to export 100,000 watches to retailers in East Germany, Poland and Czechoslovakia in 1990/91. Its Citizen Watch Europe unit in West Germany sold 20,000 watches in Eastern Europe between December and March. Citizen will expand its sales network to other eastern European nations in the future but has made no definite plans, the company said.

Casio expects to sell 205,000 watches in Yugoslavia, Czechoslovakia and Hungary in 1990/91, compared with the 142,000 it sold there in 1989/90.

Casio currently markets its watches in eastern Europe through several Japanese trading firms and does not intend to set up its own subsidiaries.

Seiko Deutschland, Seiko's West German subsidiary, distributed 100,000 watches in East Germany, Poland, and Hungary in 1989/90. It plans to increase the amount in 1990/91 by an unspecified margin.

Japanese manufacturers export mostly cheap watches to eastern Europe and expect demand to continue growing, but they are sceptical about selling high-quality watches there.

"When selling watches in the eastern European market, the crucial factor for the time being is the price, not the quality," a Seiko spokesman said.

## £23m Hong Kong contract awarded

SUNG FOO KEE has won HK\$316m (£23m) contract to build roads, bridges and sewage facilities in the New Territories, AP-DJ reports from Hong Kong.

The project is the latest in a series of valuable government contracts received by Sung Foo Kee, the construction group which went public last year.

## Australia urged to seek investment from Japan

By Kevin Brown in Sydney

AUSTRALIA should relax rules on foreign direct investment and liberalise its economy to attract more inward investment from Japan, an independent study by a leading business group urged yesterday.

A report by the Committee for Economic Development of Australia said Japan's share of inward investment was not excessive, but conceded that Australians needed to be reassured that Japanese motives were no different from those of British or US investors.

"Japan's share of total foreign direct investment in this country still only represents 9.7 per cent - not excessive for a country which takes a quarter of our exports and provides a fifth of our imports," the report said.

Its conclusions will be controversial in some quarters in Australia, especially in Queensland, where there is opposition to Japanese real estate purchases.

The report, which follows a joint study carried out with a Japanese business committee, said most Japanese investment was aimed at development, which provided employment,

## New Zealand Dairy Board to buy Soviet vodka

By Dai Hayward in Wellington

THE NEW ZEALAND Dairy Board, which trades about NZ\$250m (\$15m) a year in milk products, is to import and market a top-selling brand of Russian vodka. The Board is seeking to boost Soviet trade so that the USSR will have more funds to buy its dairy products.

The Soviet Union is in the top five of New Zealand's trading partners. Most of the trade, both imports and exports, is handled by the Board's subsidiary, Sovenz, which was set up to develop trade between the two countries.

Sovenz imports Soviet tractors, Lada cars and fertiliser - and now Stolichnaya vodka. In two years sales of Lada cars in New Zealand increased from 600 to 2,500 a year, making it the largest market for the Soviet cars outside the Eastern bloc. Last year Sovenz also imported 70,000 tonnes of potash fertiliser.

Sovenz is responsible for the sale of all New Zealand dairy products to the Soviet Union. In 1988-89 it sold 60,000 tonnes of butter to the USSR making it New Zealand's second biggest butter market after the UK. It also exports large quantities of wholemilk powder.

Sovenz also sells New Zealand manufactured goods and agricultural products to the USSR. In the 1988-89 it exported 20,000 tonnes of mutton to the Soviet Union.

In a joint venture it is harvesting peat moss on Sakhalin Island in the Soviet Far East. Proceeds from the sale of this will be used to buy New Zealand dairy products. The joint venture company plans to eventually develop timber, fish and mineral operations.

Largely as a result of Sovenz efforts the Soviet Union now buys more than 5 per cent of all New Zealand dairy exports while the Dairy Board has also sold 1 per cent of New Zealand's non-dairy exports to the Soviet Union.

rather than acquisition of existing property. However, many Japanese companies believed that foreign investment regulations were too restrictive, and that controls on ownership of residential property inhibited potential for tourism.

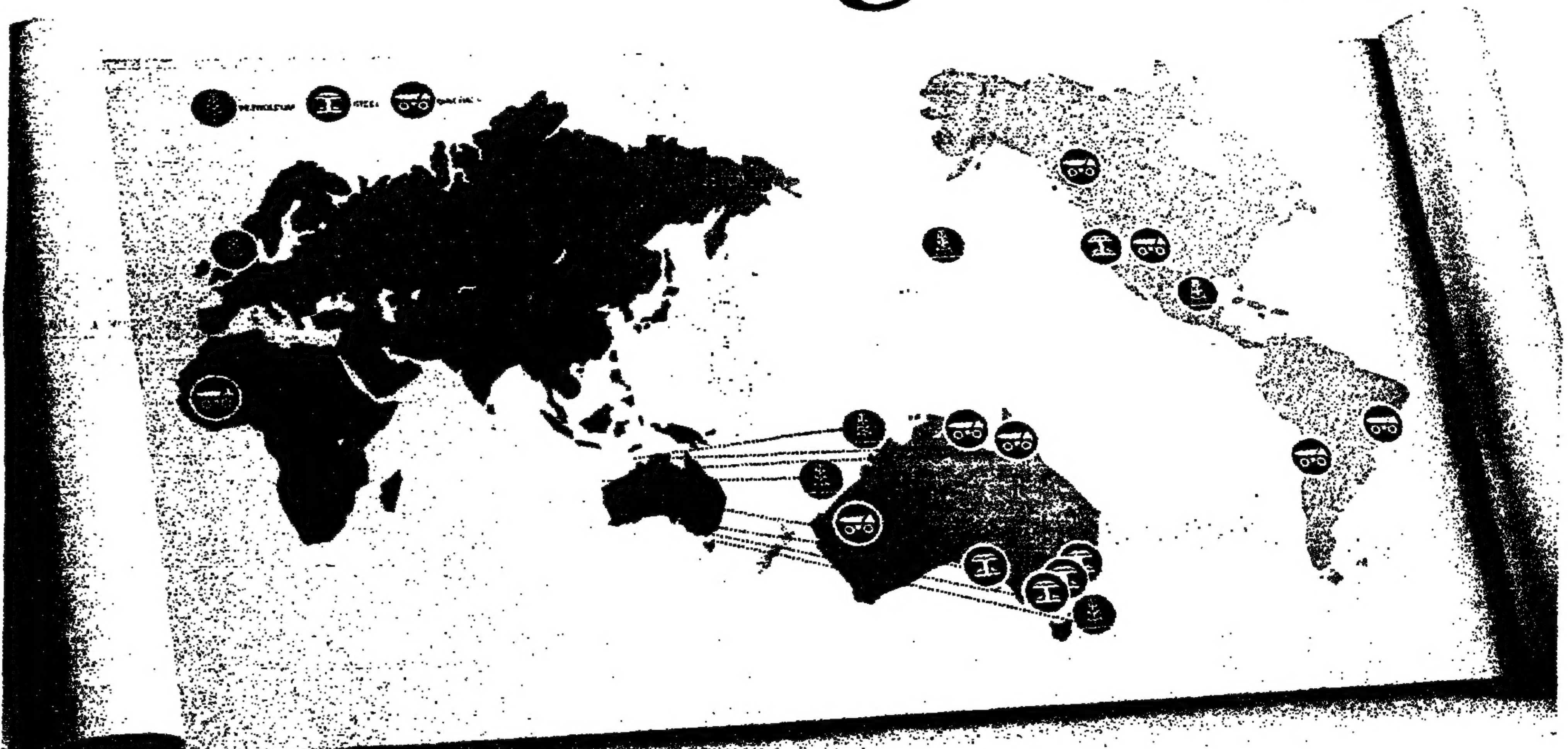
The report also said that procedures for applying for business visas for temporary residence in Australia were "unnecessarily difficult and tedious," and constituted a significant invisible barrier between Japan and Australia.

It called for a relaxation of investment regulations, reform of labour markets, market liberalisation, tax reform and a review of Australia's high interest rate policy.

The report also concluded that Australian direct investment in Japan, which makes up around 0.5 per cent of global investment, was too low.

Australian investment was heavily biased towards English-speaking countries, while Japan was regarded as culturally alien, and too few Australian executives had the skills to deal easily with other cultures.

## BHP-record sales and earnings in 1990.



## Continued growth in earnings from world wide resources:

BHP is pleased to report another record operating profit; \$1.03 billion†. Sales were a record \$13.4 billion and included a full year contribution from oil refining and trading in Hawaii; improved prices for minerals and oil; deliveries of liquefied natural gas from Northern Australia and higher international steel sales.

Dividends declared during the year totalled 365 cents a share, up 9% over 1989.

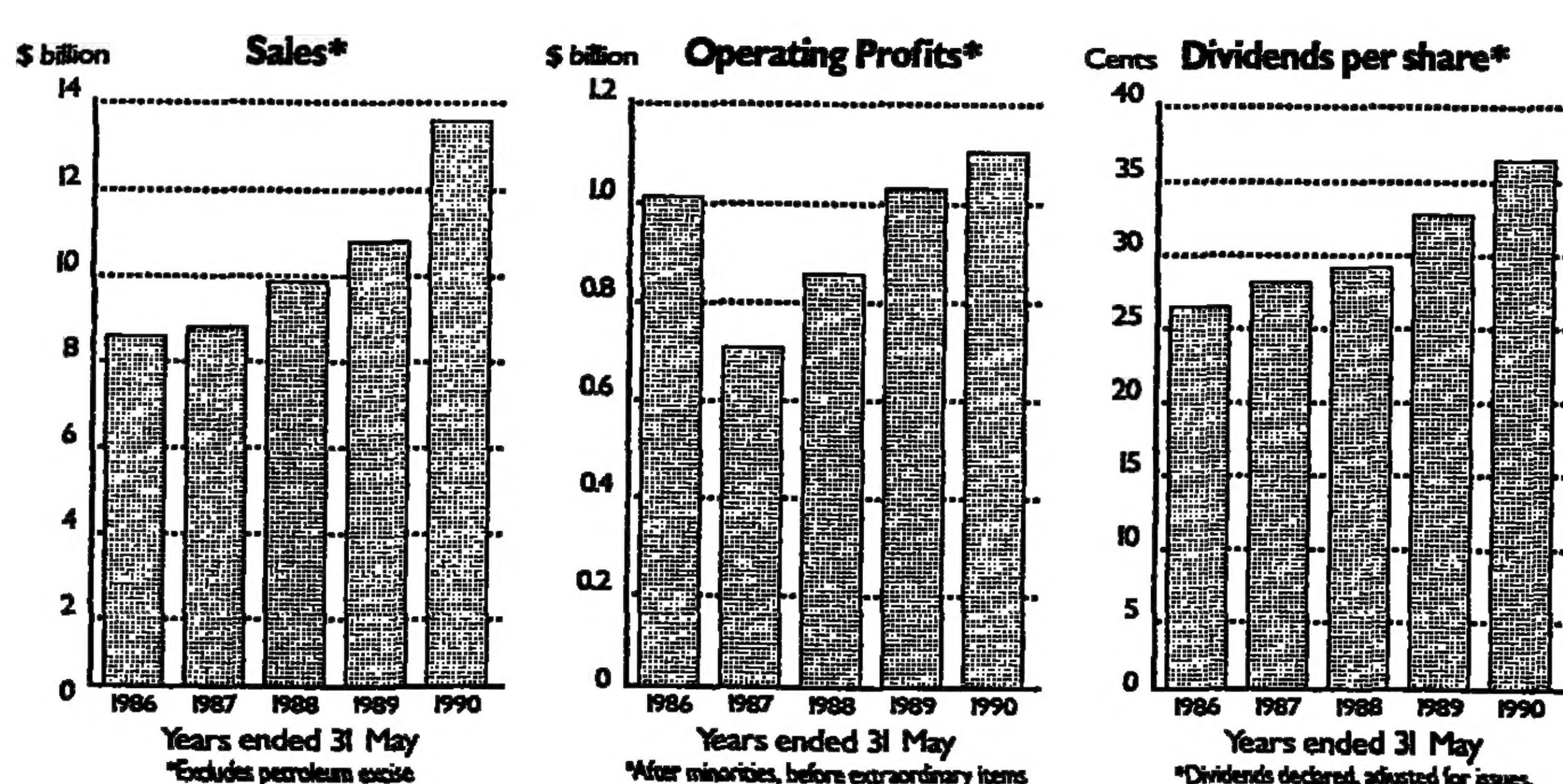
BHP invested \$1.9 billion during the year to expand and upgrade the Company's asset base for future earnings growth.

These figures reflect the underlying strength of BHP's global operations as they have been achieved in a period of higher interest rates.

## STEEL

Sales of steel into international markets helped offset the decline in the Australian market which softened from record levels in 1989. Earnings were marginally lower.

† All figures in \$A.



## MINERALS

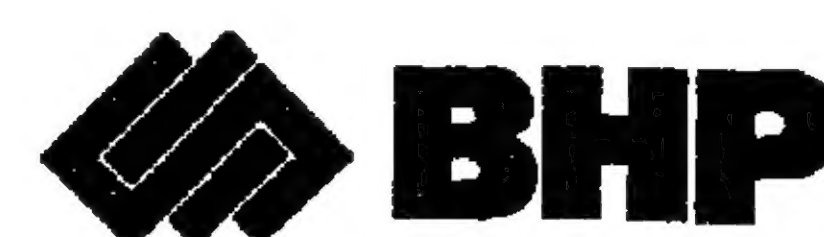
Higher prices and continuing strong demand for steelmaking raw materials saw minerals sales achieve record levels. Increased investment in coal and iron ore properties added to earnings growth.

## PETROLEUM

Firm world oil prices, increased volumes of oil and liquefied natural gas from Northern Australia and a full year contribution from

refining and trading operations in Hawaii all contributed to solid sales and earnings growth.

For further information, please contact Mr George Kivac, Corporate Manager Europe, The Broken Hill Proprietary Company Limited, 90 Long Acre, London WC2E 9RA.



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## INTERNATIONAL NEWS

# Baker acts to foil Khmer Rouge victory

## US U-turn marks end of policy of blackballing Vietnam, reports Lionel Barber

THE US decision to open a dialogue with Vietnam marks the end of a 15-year stand-off. But the dramatic switch in policy stems largely from a rising tide of domestic criticism of Washington's policy towards Cambodia.

Ever since Mr James Baker became US Secretary of State 18 months ago, he has taken a beating as critics in Congress, the press, television and the legion pressure groups in Washington have denounced covert US military aid to guerrillas fighting the Vietnamese-installed government in Phnom Penh.

In their view US policy was tantamount to helping the murderous Khmer Rouge reclaim power in Cambodia.

But it was only yesterday that Mr Baker finally yielded announcing in Paris that the US would open a dialogue with Vietnam as part of international efforts to end the civil war in Cambodia.

This is a significant policy shift. Successive US administrations have pursued the diplomatic and economic isolation of Vietnam as a fixed foreign policy goal since the traumatic defeat in Vietnam more than 15 years ago.

In practice Mr Baker had little choice but to abandon military aid to the Cambodia resistance, made up of the well-armed Khmer Rouge and two much smaller, non-Communist groups led by former Prime Minister Son Sann and the militarily insignificant National Sihanoukist Army of Prince Norodom Sihanouk.

In recent weeks the CIA has warned both Congress and the executive branch that the Khmer Rouge was making important gains on the battlefield, to the point where a military victory could no longer be ruled out.

These intelligence reports alarmed Congressional leaders. Many were already suspicious



Secretary of State James Baker (right) confers with his Soviet counterpart Eduard Shevardnadze

of whether US covert and overt military aid of more than \$15m (28.5m) a year to the non-Communist resistance could be kept separate from the Khmer Rouge, which ruled Cambodia between 1975-78 and exterminated 1m people.

By this week Democratic and Republican chairmen of three key Senate committees - Intelligence, Appropriations, and Government Operations - were all aligned against further US aid. Capping the opposition, Senator George Mitchell, Democratic majority leader, said on June 11: "The administration's Cambodia policy is incredible. It is insupportable. It must be stopped."

Mr Baker, who reads the temperature of Congress almost daily, must have realised the game was up. The question is why he and President Bush failed to switch

Cambodia policy a year ago - notably when the Vietnamese were completing the withdrawal of troops which were used to install the present government of Prime Minister Hun Sen in 1979.

Since 1975 US policy has been driven largely by a desire to punish Vietnam and placate China, the chief backer of the Khmer Rouge.

Both the Carter and Reagan administrations saw Vietnam as a Soviet client with expansionist ambitions in south-east Asia, which is why Mr Reagan put pressure on Prince Sihanouk and Son Sann in 1982 to join an ill-fated coalition government-in-exile with the Khmer Rouge.

As for President Bush, his pro-China credentials are beyond doubt.

Last year, therefore, the US supported a "quadrilateral solution" under which the Hun

Sen Government would be dismantled and all the four parties, including the Khmer Rouge, would share power. "We have to accept the Khmer Rouge as a fact of life," Mr Baker said at the time.

The Secretary of State took a lot of heat for those remarks, and he was soon forced to backtrack. The US would never countenance the return of the Khmer Rouge to power, he declared.

This signalled another US policy shift towards supporting an Australian government plan under which the United Nations - rather than the four parties - would administer Cambodia until free and fair elections.

US officials concede that the policy still took a lot of selling, as the US appeared to be indirectly supporting the Khmer Rouge. Hence the decision to

open dialogue with Vietnam.

The US decision has been on the cards since President Bush's inaugural speech, when he attempted to exorcise the legacy of the Vietnam war. "The lesson of Vietnam is that no great nation can long afford to be sundered by a memory," he said.

The question of opening contact largely came down to timing. Memories of the Vietnam war remain strong in the US, fuelled not only by popular culture but by a powerful veterans' lobby. In recent years, however, calls by prominent veterans to re-establish diplomatic relations have become louder and interest has grown in the economic potential of Vietnam.

In addition, the reformist Soviet leadership under President Gorbachev has helped change US opinion. Moscow has matched words with deeds, cutting substantially financial aid to Hanoi (as have eastern bloc countries).

It was telling that Mr Baker chose to make his announcement directly after two hours of talks with his Soviet counterpart, Mr Eduard Shevardnadze.

At the same time, the Bush Administration is taking a closer interest in Asia. The Middle East - which absorbed enormous attention last year - is on hold and Central America has calmed down, even if economic difficulties remain. This month Mr Baker is due to attend a meeting of the six-nations Asian group of south-east Asia.

Mr Baker stressed yesterday that the new dialogue with Hanoi would focus on Cambodia and would not amount to a normalisation of relations between the two countries.

This may be true today, but the first step has been taken to a more co-operative relationship which could benefit the whole region.

# Palestinians plan bank for occupied territories

## By Hugh Carnegie in Jerusalem

A GROUP of businessmen from the West Bank plans to set up a Palestinian bank in the occupied territories.

Mr Kemal Hassouneh, an industrialist in Hebron, said he and four other businessmen had written early this month to the army-run Civil Administration in the West Bank seeking to open discussions on conditions for setting up a bank, the first of its kind.

An application a few years ago lapsed and at present the only banking presence in the West Bank and Gaza is provided by five branches of the Jordan-based Cairo-Amman Bank and a few remaining branches of Israeli banks. Most of these closed following the outbreak of the Palestinian uprising, or intifada, in late 1987.

Palestinians say the Cairo-Amman Bank is limited in the facilities it can offer. There is a strong political objection to dealing with Israeli banks, which Palestinians say impose tough conditions on facilities such as letters of credit and bank guarantees.

As local businessmen seek greater Palestinian economic self-sufficiency, a constant complaint is a lack of capital.

Mr Hassouneh, whose Al-Sharkh Electrode Company turns over about \$3m a year, says he envisages founding a bank offering regular commercial facilities in shekels and dinars with initial capital of \$7.5m and with three branches in the West Bank.

He added that some contacts had been made with European banks with a view to securing guarantees and technical assistance.

However, a senior official of the Bank of Israel, which would have to give its approval, expressed strong scepticism about the feasibility of the project, about which the Bank had not so far been notified.

The military is also likely to be reluctant, seeing such a bank as a potential conduit for the transfer of funds by the outlawed Palestine Liberation Organisation.

Mr Rafael Eitan, Israel's Agriculture Minister, has proposed cutting off agricultural supplies to Palestinian farmers in many of whom rely on Israeli inputs - as a punishment against the Palestinian uprising.

He also plans to stem "smuggling" of cheap Palestinian produce into Israeli markets, from which they are usually barred, despite freedom to sell in the West Bank and Gaza for Israeli producers.

# Mandela hopes to see de Klerk

## By Anthony Harris

Talks between the African National Congress (ANC) and the South African Government are expected to resume shortly, Mr Nelson Mandela, ANC deputy president said yesterday, Patti Waldmeir reports from Johannesburg.

Mr Mandela, who celebrated his 72nd birthday yesterday, said he hoped to meet Mr F W de Klerk, the South African President, in the next few days with the aim of arranging an early meeting between a full ANC delegation and the Government.

# Kashmir talks start

## By William Keeling in Lagos

India and Pakistan yesterday ended their first day of talks intended to cool tensions caused by a Muslim revolt in the Indian sector of the disputed Kashmir state, Reuters reports from Islamabad.

Neither side commented on the meeting, triggered by fears that the two countries might fight their third war over the Himalayan region. An outbreak of separatist fighting there has killed more than 900 people this year.

# Sabah poll result

## By William Keeling in Lagos

Mr Joseph Pairin Kittingham was yesterday returned power in Sabah, a Malaysian state on the Borneo island, Lim Siong Hoon reports from Kuala Lumpur. Mr Kittingham's Parti Bersatu Sabah (PBS) beat off the challenge from six opposition parties two of which had ruled the state for nearly two decades.

# Afghan peace move

## By William Keeling in Lagos

Mr Eduard Shevardnadze, the Soviet Foreign Minister, said yesterday Afghanistan had made "interesting" proposals to break the stalemate in its 12-year civil war, including holding United Nations-supervised elections, Reuters reports from Paris.

The New York Times said in a weekend report that Moscow was proposing that President Najibullah abandon control of the armed forces and retain only symbolic power in the run-up to internationally-supervised elections.

## AMERICAN NEWS

# Greenspan sees 'sluggish' growth in second half

## By Anthony Harris in Washington

Despite this, the Fed regarded the possibility of a recession in the near term as small, thanks largely to the successful efforts by industry to keep inventories under control.

The Federal Open Market Committee and Federal Reserve Bank presidents have revised their "central tendency" projection for real gross national product growth this year to 1.5 to 2 per cent, on a fourth quarter over fourth quarter basis, with real growth of 1.75 to 2.5 per cent in 1991. In the chairman's previous testimony in February, the projection was for real growth in this range in 1990.

The central tendency projection for unemployment is now for an unchanged 5.5 to 5.75 per cent in the fourth quarter of this year, and 5.5 to 6.5 per cent in the fourth quarter of 1991. Mr Greenspan commented, however, that current data showing a slowdown in job seekers "bears watching."

Inflation is now expected to be a little higher than was projected in February. The consumer price index is expected to rise by 4.5 to 5 per cent this year, compared with the earlier projection of 4 to 4.5 per cent, and by 3.75 to 4.5 per cent in 1991. While core inflation was now thought to be moderating in the goods market, there is still no sign of a slowdown in service prices.

Mr Greenspan observed, however, that the rate of increase in wages "appears to have levelled out from its earlier upward trend."

(In the official document accompanying the chairman's evidence, the Fed noted that the administration's projection for nominal GNP growth was somewhat above its own, but added that the differences were small in view of the inevitable uncertainty of economic forecasting.)

Mr Greenspan went on to discuss the Fed's revised monetary targets. He said that the Fed believes its provisional lowering of the M2 target range of 1991 "need not be a barrier to sustained growth."

In February, the Fed announced a monetary target growth range for M2 of 2.5 to 3.5 per cent, now revised to 1 to 2 per cent. The chairman said that this reduction "does not signal a tighter policy stance," but "a recognition of thrift balance-side effects."

Even so, he added that, while the thrift balance-side would lower the rate of growth of broad money, as some deposits would switch into non-money assets, it "should have little effect on real economic activity or interest rates."

credit contraction rather than slower growth. "But I can well appreciate that my view on this topic may be perceived as a semantic nicety by a borrower who today is suddenly unable to get a loan on the terms formerly available."

It was difficult for the central bank to draw a dividing line between lending standards that are healthy, and those that might be so restrictive as to be inconsistent with the borrower's status. The best the Fed could judge was that "the change in credit conditions currently is exerting a slight additional degree of restraint on the economy."

The process of credit restraint might not have reached completion. "When you go from excess credit creation to normal, it can feel like tightening," he said.

# Consumer price rise dents long bond

## By Anthony Harris

US CONSUMER prices rose by 0.5 per cent in June, the Labor Department said yesterday.

This was more than double the increase expected in the financial markets. The long bond fell half a point on inflation worries.

The volatile food and energy components led the rise but there was also a strong 0.9 per cent rise in the department's shelter index, which among other things reflects rising occupancy taxes as states struggle with budget deficits. This trend is expected to continue.

As a result, the index rose by 0.4 per cent, even with food and energy components omitted. The rest of the index, however, was subdued, apart from another sharp rise in tobacco prices, which continues a two-year trend. The index omitting food, energy and shelter rose only 0.1 per cent.

Consumer price inflation has now run at a 5.9 per cent annual rate in the first half of 1990, sharply above the 4.5 per

cent rates last year, and also above the Federal Reserve and US administration forecasts.

Also, the Commerce Department announced that housing starts dropped a further 2.3 per cent in June. This was the sixth successive monthly fall, the first such run of declining figures since the 1981 recession. The markets had been expecting some recovery from the May level.

However, the fall was concentrated in the small multi-unit category, which is highly variable from month to month, and time applications for permits to start new construction in this group, which had been very weak, rose by a quarter.

This led to a 3.3 per cent rise in building permits, regarded as a more reliable indicator of future activity, reversing the May fall. This suggests that the deep housing recession may have reached its floor level.

June starts were 16.6 per cent below the June 1989 level, and permits were 16.3 per cent down on the year.

# Lucrative anti-depressant subject of law suit

## By Karen Zagor in New York

ELI Lilly, maker of Prozac, the biggest selling anti-depressant drug in the US, faces a \$150m law suit alleging that the drug made a patient suicidal.

Worries about the implications of the law suit pushed shares in Eli Lilly down by 22% to \$66 1/4 at midday yesterday in active trading on the New York Stock Exchange.

Sales of the drug, which has been on the market in the US since December 1987, have soared from \$125m in 1988 to an estimated \$700m this financial year. Lilly said its strong second-quarter pharmaceutical sales were led by Prozac.

It has been hailed as a wonder drug for depression, largely because of its apparent lack of side-effects normally associated with other anti-depres-

sants. Also, Prozac is popular because physicians believe it works on a wide spectrum of disorders. It is considered less toxic than its peers, takes effect with relatively rapidity and is fairly easy to use.

This is the first lawsuit against Prozac but the allegations that the drug might inspire suicidal tendencies are not new. This year, a research team headed by Dr Martin Teicher of Harvard Medical School in the US reported that six previously non-suicidal patients had developed "intense, violent suicidal pre-occupations" after two to seven weeks of Prozac. In our own experience, this side-effect occurred in 3.5 per cent of patients receiving Prozac," the team said.

# Number of E Germans out of work rises 60%

## By Ian Rodger in Tokyo and William Dawkins in Paris

EAST GERMAN unemployment, virtually unknown under Communist rule, soared by 60 per cent in the first two weeks of July to reach 224,000, Labour Minister Mr Regino Hildebrandt said on Wednesday, Reuters reports from Berlin.

She told the ADN news agency that between 30,000 and 40,000 people were joining the dole queue weekly.

A further 500,000 had applied for short-time working - a government-sponsored halfway stage between employment and joblessness - since East and West Germany merged their economies on free market lines on July 1, she said.

Unemployment has rocketed since the fall of the country's Stalinist leaders last year because industry cannot compete with western companies entering the market after decades of exclusion.

East Germany's unemployment rate is now 2.5 per cent compared with 1.6 per cent at the end of June when the number of unemployed people was 142,000.

Politicians and banking experts expect it to reach up to 3m, a third of the workforce, in the next two years.

A West German Defence Ministry team inspected an army base near East Berlin yesterday to investigate a media report of Soviet chemical weapons secretly stockpiled in East Germany.

# Rocard embarks on Japanese crusade

## By Ian Rodger in Tokyo and William Dawkins in Paris

MR Michel Rocard, the French Prime Minister, begins a three-day visit to Japan today in a belated effort to lift the often prickly political and economic relations between the two countries to a more constructive level.

The Rocard mission, the first visit by a French prime minister for 14 years, will aim to show that the French Government has dropped its hostility to Japan and is eager to welcome its industrial investment. France wants to boost the \$2.9bn (£1.6bn) of cumulative Japanese direct investment received by the end of last year, estimated to be 1 per cent of all Japanese investment abroad.

Mr Rocard will also urge Japan to make it easier for French companies to set up business there.

"We want to clear up a few misunderstandings. It will be necessary to speak frankly and clearly," an official said. Mr Rocard will be accompanied by his Industry and Research Ministers.

Japanese officials are now more relaxed about links with France and are equally keen to overcome old political prejudices.

A Japanese foreign ministry official said this week: "There is some room for improvement. Maybe there have been some misunderstandings... there may be some psychological obstacles on the French side."

He added that France was "very important. It plays a critical political role in the EC."



A Liberian rebel fighter, wearing a wig, reloads his automatic rifle in fighting on the outskirts of the capital Monrovia earlier this week. He was killed shortly afterwards. Many of the rebel soldiers dress grandly in outlandish clothes and make-up.

Latest reports from Monrovia say that increased fighting has led to frightened residents streaming out of the city on the last open road in search of food and safety, AP reports from Monrovia. The fighting has cut off food supply routes and disrupted public utilities, and witnesses said that food shortages had worsened.

Gunfire was heard in Monrovia, but there were no details on the battles. Heavy fighting was reported on Sunday just east of this city of about 400,000.

A government official, who said he had been held captive by the rebels for two weeks, said they were murdering members of President Samuel K Doe's Krahn tribe as well as the allied Mandingos.

"It was sheer anarchy," the official said of what he had seen during his captivity. "Every house is opened and looted of the cars and food in it. When they see your house, they chase you out with your family. If you resist, they kill you."

The official spoke on condition of anonymity. It was not clear how he gained his freedom. He said he understood that the rebel leader, former aide Mr Charles Taylor to Mr Doe, was trying to prevent such abuses. Human rights groups have accused both sides of killing hundreds of civilians in the war, which has been fought along largely tribal lines.

The government official said the rebels were demanding food and lodging from civilians. He said they were executing those who refused. Witnesses have made similar charges about Mr Doe's forces.

The rebel National Patriotic Front of Liberia began its insurgency in December, accusing Mr Doe of corruption and rights violations. The rebels have captured most of the country.

# Australian investors' nerves steady

## By Kevin Brown in Sydney

CALM appeared to be returning to the Australian financial system yesterday as investors heeded federal and state officials' reassurances over the stability of banks and savings institutions following a series of collapses and other problems.

The Bank of Melbourne, a former building society which suffered a run on funds at the start of the week, said heavy withdrawals had stopped and deposits appeared to be returning to the bank.

Notices setting out a statement of support from the Reserve Bank of Australia

were placed prominently in all Bank of Melbourne branches before the start of business yesterday.

Armstrong Jones and Growth Equities Mutual, the two largest property trust funds, also reported a marked fall in queries from investors worried about possible suspension of unit redemption rights.

Aust-Wide, the fourth largest property trust, suspended redemptions earlier this week after the National Companies and Securities Commission issued guidelines to help trusts cope with short-term liquidity

problems.

Mr Paul Keating, the federal Treasurer (finance minister), urged investors not to panic and said non-bank financial institutions were generally well supervised by the states in Australia.

He said the erosion of investor confidence appeared to be confined to the state of Victoria, where most of the troubled institutions are based.

Uncertainty was sparked by the crash last month of the Pyramid, Geelong and Countrywide building societies, subsidiaries of the privately owned Farrow Corporation.

# Buoyant oil revenues cast doubt on Lagos debt claims

## By William Keeling in Lagos

NIGERIAN oil revenue in the first five months of the year amounted to \$3.4bn (£1.9bn), 67 per cent above budgetary expectation, raising doubts about government claims that it cannot service the country's international debt.

Nigeria has paid just \$600m this year in servicing its \$32bn debt and is in dispute with all its big creditors.

According to a World Bank official, payment arrears to the Paris Club of creditors, which accounts for 44 per cent of total debt, exceeds \$1bn. There have

been few repayments since the last agreement expired in April and no new negotiations are scheduled until September.

Nigeria is also in dispute with the London Club of creditors, who are owed \$5.5bn. In April Lagos announced it would break the 1988 agreement to reschedule the debt over a 14-year period and suggested new terms for repayment over 30 years, with a 10-year grace period and 3 per cent interest.

The terms were rejected by the London Club.

# South Korea seeks to reshape tax régime next year

## By John Ridding in Seoul

SOUTH KOREA is planning to overhaul its tax system in an attempt to create a more equitable tax burden and rationalise corporate levies.

Under the plan, scheduled for implementation in January, tax privileges for many foreign companies in South Korea would also be sharply reduced.

The number of foreign investment categories eligible for tax favours will be

restricted to those concerning the transfer of high technology. Even here, the level of corporate tax exemption will be cut from 100 per cent to 50 per cent.

Tax breaks now given to enterprises contributing to Korea's balance of payments, those with investments by Koreans living abroad, businesses operating in free trade areas and those engaging in large-

scale capital investment projects will be ended.

The Ministry of Finance proposal covers levies raised on almost all Korean and foreign investors, from income tax to inheritance and corporation taxes.

The draft also eases the tax burden on workers by raising the deduction for earned income and the special income tax exemption level. The

exemption level has yet to be decided, but is expected to be raised from won 4.13m (£3,232) to about won 5m a year.

Workers with an average monthly wage of less than won 1m would have an income tax exemption if they lived in rented accommodation.

The reform bill will be introduced in the National Assembly in September. It is the second tax reform proposed by the

government of President Roh.

Foreign investors were not surprised by the proposed increases. "The Government has been reducing tax benefits for the last 18 months to two years," said Mr Robert Gregory, president of the American Chamber of Commerce in Seoul. He did not believe the changes represented a significant barrier to further investment.



## AMERICAN NEWS

## Havana embassy incursions raise pressure on Castro

By Robert Graham

THE SPATE of Cubans seeking asylum in foreign embassies in Havana during the past eight days has thrown a spotlight on the efforts of President Fidel Castro to survive in an increasingly hostile international environment.

Yesterday, four persons were still in the Italian ambassador's residence, three at the Spanish embassy and five more in the house of a Czechoslovakian diplomat. The Cuban authorities have accused unnamed foreign interests of encouraging the asylum seekers and are adamant in refusing permission for any to leave the country.

This tough attitude has provoked a bitter row with the Spanish Government, which is insisting on the right of these in its embassy to leave Cuba.

Although the numbers are small, the incidents have forced Dr Castro onto the defensive and may complicate sensitive negotiations among the leaders of the ruling Cuban Communist Party over how the country's political system should be made more representative.

Faced by the collapse of regimes in eastern Europe and uncertain future relations with the Soviet Union, Cuba's principal ally, the president has become more isolated as an apostle of Marxist-Leninism.

However, the 63-year-old revolutionary's dogged insistence on Cuba's path to socialism has tended to mask a growing debate within the party over its future shape and direction. Since May, senior officials have argued strongly behind closed doors that unless Cuba makes significant changes in its authoritarian single-party political structure, the regime could be overtaken by events.

These officials are still loyal to Dr Castro but have been using the opportunity of preparations for a special party congress next year to try to convince him of the need for change.

The 72-member organising committee, formed in May, has managed to convince him to accept a broader debate than he had anticipated. The party's Political Bureau approved last month far-reaching guidelines for discussion.

This not only sought to bridge the previous gap between the Catholic Church and the party, but also said: "We have to consider the real world in which we live, where an intense and complex confrontation of ideas is developing, from which we cannot be excluded".

The guidelines stressed "discussions being held - some-

times outside the institutions of Cuban society, including the party itself - must be taken into the middle; in this way their influence can become more efficient and real".

More prominence is being given to such younger figures as Mr Carlos Aldana, secretary of the party's Central Committee after a March shake-up of the party apparatus.

President Castro's brother Raul, the Defence Minister, is also reported to be encouraging quicker reform - contrary to his previous reputation as a communist hardliner.

The reformers are concerned that the asylum issue, combined with rising pressure on Cuba from the US, will encourage the president to resist change.

This could then produce the kind of split which has been avoided until now for fear of providing an excuse for Cuban exiles in Florida and the US administration to interfere more directly.

The US insisted at the recent Group of Seven summit in Houston that the Soviet Union cut its aid to Cuba as a condition for increased US assistance to the Soviet economy.

Such aid is claimed by the US to be worth \$5bn a year but is independently calculated at \$2bn to \$3bn.

declined by 15.8 per cent to 3.15m, production by the Japanese transplants jumped by 17.8 per cent to 669,000.

Both Honda and Toyota are threatening to oust Chrysler from third place in the US car market. Chrysler suffered a 19.7 per cent fall in new car sales in the first half of the year to 436,000, which depressed its car market share to only 9 per cent.

Honda increased its US car sales by 14.3 per cent to 434,000 to capture a 9 per cent market share, while Toyota lifted sales by 24.2 per cent to 389,000, increasing share to 8 per cent from 6.2 per cent a year ago.

Helped by new products, General Motors succeeded in maintaining its share at 36.2 per cent, a marginal rise on the first half of 1989. In the last decade, however, its domestic presence has been undermined with the loss of a quarter of its share of US new car registrations from 46.4 per cent in 1980 to 35.3 per cent last year.

After steadily improving its position throughout the 1980s, Ford, GM's main domestic rival, lost ground in the first half of the year with an 11.7 per cent fall in sales volume and a decline in its market share to 21.1 per cent from 22.7 per cent a year ago.

There has been an increasing shift in the US vehicle market from cars to light trucks, especially pick-ups and minivans (high roof seven-seat estate cars). The big three US auto groups still hold 84 per cent of this market. Light truck sales account for a third of the combined car and light truck market.

In the first six months light truck sales declined only marginally by 0.8 per cent to 2.42m. - with GM gaining ground and Chrysler again losing sales. As a result demand in the overall new vehicle market (cars and light trucks) fell by 3.6 per cent to 7.58m. The overall market fell in the whole of 1989 by 5.9 per cent to 14.55m.

While total US car output

## US CAR MARKET

January-June 1990

	Volume (Units)	Volume Change (%)	Share (%) Jan-Jun 89	Share (%) Jan-Jun 90
<b>TOTAL MARKET</b>	4,841,000	-5.0	100.0	100.0
Imports	1,275,000	-9.3	26.3	27.6
Japanese makes - imports & US-built	1,322,000	+9.3	27.3	28.8
Of which Japanese	628,000	+44.4	10.9	7.2
US-built	237,000	-4.9	4.9	4.9
European imports	237,000	-4.9	4.9	4.9
<b>SALES BY MANUFACTURER</b>				
General Motors*	1,754,000	-4.5	36.2	36.1
Ford	1,022,000	-11.7	21.1	20.7
Chrysler	436,000	-19.7	9.0	9.0
Honda	434,000	+14.3	9.0	9.0
Toyota	389,000	+24.2	8.0	8.2
Nissan	226,000	-13.8	4.7	5.1
Mini	118,000	+4.1	2.4	2.2
Hyundai	70,000	-28.9	1.4	1.9
<b>EUROPEAN IMPORTS:</b>				
VW/Audi	79,804	-0.2	1.6	1.6
Volvo	49,300	-7.1	1.0	1.0
Mercedes-Benz	37,307	+2.9	0.8	0.7
BMW	31,487	-9.6	0.7	0.7
Saab	13,249	-18.2	0.3	0.3
Jaguar	9,450	+0.9	0.2	0.2
Porsche	5,151	+12.7	0.1	0.1
Vaux	5,125	-29.8	0.1	0.1
Sterling	2,236	-30.3	0.1	0.1
<b>CAR PRODUCTION</b>	5,191,000	-18.8	106.0	106.0
Of which Japanese	669,000	+17.8	21.0	14.8
US-built				
<b>LIGHT TRUCK</b>	2,423,000	-0.8	100.0	100.0
<b>SALES</b>				
Imports	378,000	+5.2	15.6	14.7
<b>TOTAL CARS &amp; LIGHT TRUCKS</b>	7,264,000	-2.6	100.0	100.0

\*Includes captive imports. Excludes joint ventures.

## Canadian \$ reaches 10-year high

By Bernard Simon in Toronto

FINANCIAL markets have shrugged off Canada's recent political upheavals, pushing the Canadian dollar to its highest level in a decade.

The dollar climbed as high as \$6.96 US cents yesterday morning, almost a cent above its level when the Meech Lake accord talks collapsed four weeks ago amid concerns about Canada's political and economic stability.

The surge is due largely to the fall in US interest rates, which has widened the spread between short-term Canadian and US rates to a record 5.8 percentage points. While Canadian rates have slipped slightly

in the past three weeks, the fall is being braked by Ottawa as an anti-inflation measure.

Also, Canada's foreign trade performance has been surprisingly strong, with a jump in exports contributing to a seasonally adjusted trade surplus of C\$958m (\$460m) in May, more than double the previous month's figure.

Mr Barry Davenport, senior vice-president in Bank of Montreal's treasury group, predicted yesterday that the dollar may rise still further over the next few weeks. "The constitutional debate has been wrung out of the money markets. I'm hav-

ing fewer and fewer anxious enquiries," he said.

A weakening economy is expected to lead to a more significant drop in both interest rates and the dollar this year. The number of bankruptcies was 30 per cent higher in the first half of this year than in January-June 1989, and the housing market is in a slump in most parts of the country.

Economists expect the consumer price index for June (due tomorrow) to reflect a further easing in inflationary pressures. The index advanced by 4.5 per in the 12 months to May.

## Argentine state bank closes branches

By Gary Mead in Buenos Aires

MORE than half the branches of one of Argentina's largest state-owned banks, the Banco Hipotecario Nacional (BHN), were abruptly closed this week, following a government decision eventually to close all 53 branches before re-structuring.

The BHN, essentially a mortgage bank for small investors, was set up a century ago to facilitate cheap housing loans to the poor. However, in recent years it has been used by politicians as a way to buy votes and other support. Its repayment terms have become wildly out of step with financial realities.

According to official figures from last April, 59 per cent of

its creditors were substantially behind with their payments.

The government announced in February that the BHN would be closed and its employees either made redundant or put in other administrative posts. Bank union members immediately occupied the central branch of the BHN in Buenos Aires, and the government retreated from the conflict.

However, the government now appears more determined to carry out the closure. It has announced that 60 per cent of the 3,200 BHN employees must go, either through early retirement or to other posts in government bureaucracy. Trade unions affected by the measure

have verbally repudiated the decision, but as yet have refrained from strike action.

The reform of the BHN, as well as that of other state-run banks, is a priority for the World Bank, which is giving financial support for reform of Argentina's financial sector. The future role of the BHN is to be substantially reduced, to one of providing banking support for housing construction - backed by the World Bank - in the country's interior.

Argentina's exports for the first half of 1990 reached \$5.87bn - a 10-year high. Government figures indicate that imports fell to \$1.51bn, continuing a three-year decline. The figures suggest that the

65 per cent growth in Argentina's trade surplus for the January-June period will lead to a full-year trade surplus of more than \$6bn.

Also, the relatively low level of imports is a clear sign of the country's current recession. Average industrial output in the first half of this year dropped by 12.7 per cent against the equivalent period of 1989. An official forecast has "industrial perspectives for the next months less optimistic than for previous months."

However, independent analysts point out that there are signs in the last two months of increased economic activity, and that the recession may have bottomed out.

## Young trails in Georgian primary

By Peter Riddell, US Editor, in Washington

MR ANDREW Young - veteran US civil rights leader, former mayor of Atlanta and ex-ambassador to the UN - faces an uphill battle to become the first black governor of Georgia.

In the first round of the Democratic Party primary on Tuesday, he won less than 30 per cent of the vote, against 41 per cent for Mr Zell Miller, the lieutenant-governor, with three other runners trailing.

There will be a run-off on August 7, but support from the other white candidates may shift to Mr Miller.

Mr Young, who attracted much white support in his eight years as a mayor of Atlanta, ran as a pro-business centrist and the campaign was not fought on racial lines. However, Mr Young attracted much of his support from the black community and suffered from its low turnout.

The Republican Party is mounting its strongest challenge for the governorship of Georgia in more than a century. Mr Johnny Isakson, party leader in the state Assembly, easily won the Republican primary.

Black people are running for state-wide offices in elections in several southern states in November.

# In one crucial respect British Telecom is falling behind.

In September British Telecom is revising some of its prices.

But the overall increase for main UK services will be only 5.3%.

Well below the current inflation rate of 9.8%.

Before these changes our prices in real terms had fallen by over 22% since 1984.

Over the same period international call prices had fallen by 25%. From September calls to over 100 overseas destinations will cost less.

In every other respect though, we've been moving ahead.

Last year alone we invested £3 billion improving our business. Providing the advanced telecommunications infrastructure that Britain needs.

Most aspects of our customer service have shown notable improvements. Over 92% of all faults are now cleared within one working day.

94% of orders for new equipment are completed on the date agreed with the customer. And 95% of payphones are now working.

There's still a lot to be done. But we're investing now to make sure that it is.

And, of course, to make sure that it's only our prices that get left behind.

For more details of our new prices please see the leaflet which you'll find enclosed with your telephone bill from 20 August or call your District Office contact number during normal working hours. (The number is shown on your telephone bill.)

Remember, too, that apart from weekends and evenings, cheap rates are now available only on Christmas Day, Boxing Day and New Year's Day.

British  
**TELECOM**  
It's you we answer to



## UK NEWS

## Burton sells credit card business to US company

By Maggie Urry

BURTON Group, the fashion retailer, yesterday confirmed the sale of its credit card business and said it would withdraw from its property development business. Burton said it would "go back to its heartland and its strengths, which are in retailing." The two moves were the result of a year long strategic review, it said, and would reduce its borrowings.

The shares gained 5p yesterday closing at 109p. However, the property announcement came after the market closed and brokers said the share price was likely to rise sharply again today.

Burton's credit card operation, the largest store card operator in Europe, is being sold to GE Capital, the financial services subsidiary of General Electric of the US, for £182.7m in cash. Burton Property Trust, which runs the property development business, is to be put up for sale formally.

For GE Capital the purchase of the credit card business is its first move into store cards in Europe, although it runs 37m retail cards in the US.

Following the credit card sale, and the repayment of a £92m loan from the parent to the credit card business, Burton said its debt-to-equity ratio would be around 50 per cent at the August year end, up from 47 per cent a year ago.

Burton and GE Capital will have a long-term marketing arrangement, initially for 15 years, and GE Capital will charge Burton a commission to handle the card transactions, which account for about a quarter of the turnover in Burton's shops.

GE Capital is not buying Burton's stockbroking and fund management business which Burton hopes to sell to others. Yesterday's announcements remove two of the uncertainties which have dogged the Burton share price in recent weeks. Mr John Richards, stores analyst at County Nat-West WoodMac, said, "Burton has gone through the crisis of confidence and the market is getting what it wants."

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## Thatcher launches Tory preparations for election

By Philip Stephens, Political Editor

MRS Margaret Thatcher has launched the Conservative Party's preparations for the next general election with the commissioning of a comprehensive ministerial "audit" of the Government's past achievements and present ambitions.

The Prime Minister is expected to push the process further today with a signal to back-bench Tory MPs that she plans to set up about a dozen specialist groups - each chaired by a minister - to produce manifesto ideas across the whole range of policy.

Her preparations coincide with a flurry of activity among free market think tanks designed to ensure that the manifesto contains radical proposals in areas such as local government, housing, the environment and social policy.

Mrs Thatcher has hosted lunches in recent weeks for organisations such as the Centre for Policy Studies, the Adam Smith Institute and Institute of Economic Affairs

to seek their advice on the main themes.

Senior figures in the Conservative Party are emphasising privately that they still believe that the relatively bleak short-term economic outlook makes it unlikely that the Government will be able to call a snap June election.

The conventional wisdom is that the autumn of next year is the earliest likely date and Mrs Thatcher herself warned earlier this week that she was prepared, if necessary, to wait until the end of her full term of office in mid-1992.

Mr Kenneth Baker, the Conservative Party chairman, is determined that this October's conference should not be a repeat of that in 1986 which created an unstoppable momentum towards an election the following June.

The conference is therefore likely to focus on broad themes from which the strands of the manifesto can be drawn rather than, as in 1986, on more specific commitments.

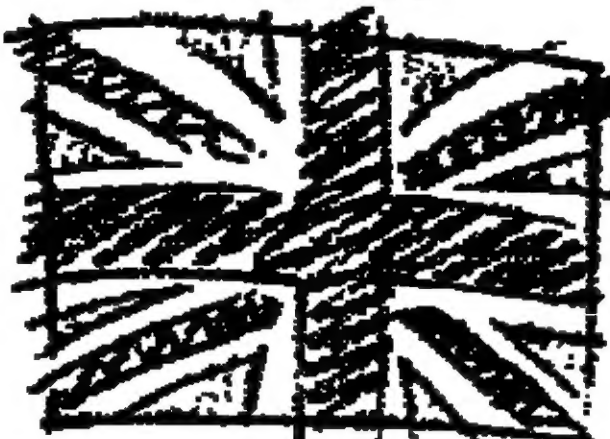
Each Cabinet minister has been asked to produce a detailed report on his department's achievements since 1979, on his present plans for the immediate future and on medium term priorities.

The audit will provide the basis for the work of the policy groups, which in turn will report to an "A" team of senior ministers which will be charged with co-ordinating plans for the election.

Detailed drafting work on the manifesto - which will be undertaken by the Prime Minister's policy unit - is unlikely to start until next year. But a number of ideas have already taken grip.

Mrs Thatcher emphasised yesterday her concern for a range of measures to reinforce family life, while senior ministers believe that a commitment to extend council house sales through a "rent-into-mortgage" scheme is certain to be included.

## BRITAIN IN BRIEF



### Fayeds to appeal to Strasbourg

The 12-year House of Fraser saga entered a new phase yesterday as the Fayeds brothers said they planned to lodge an appeal to the European Commission of Human Rights in Strasbourg as a response to the Department of Trade report into their purchase of the stores group, published in March this year.

Following legal advice, the Fayeds will argue that the "lack of basic safeguards" in the system by which DTI inspectors investigate companies is a "travesty of justice".

The DTI report said that the Fayeds brothers had repeatedly tried to pressure City advisers, the press and to regulatory bodies during their £615m takeover of the Harrods stores group in 1978. But Mr Nicholas Ridley, the then trade secretary, said that there were no grounds for taking further action against the Egyptian-born brothers.

### Reforms could ease EMS entry

Britain's full membership of the European Monetary System will be endangered unless the Government adopts new policies to straighten out the skewed UK housing market according to the latest research by Mr John Muellbauer for the Institute for Economic Policy Research, a left-wing research group.

Mr Muellbauer recommends a four-pronged approach. They include:

- restrict mortgage tax relief to those who need it by limiting it to the first 10 years of borrowing
- reverse some of the drastic cuts in building for housing associations and release land

for development

● tighten capital adequacy ratios for the lending institutions

● bring back a property tax, preferably based on underlying land values.

As sterling's entry to the exchange rate mechanism of the European Monetary System would reduce the risks attached to sterling, interest rates would have to fall sharply.

### Warning over lingering PCBs

A warning that dangerous quantities of toxic PCBs are still in existence and are not being safely destroyed was given yesterday by Mr Graham Searle, a director of Rchem Environmental Services, a British toxic waste disposal company.

Mr Searle said he intends to make inquiries in the electricity supply industry to see what has happened to these chemicals since production of them was halted world-wide several years ago.

The materials - polychlorinated biphenyls - are used in transformers and in capacitors which even out electrical current. They are believed to be carcinogenic and their use is being phased out.

### Brooke under pressure

Mr Peter Brooke, the Northern Ireland Secretary, is expected to come under pressure from Unionist MPs in the House of Commons today to explain the difficulties between the British and Irish Governments, which are holding up progress on his inter-party talks initiative.

Mr Brooke is aware of growing irritation among Unionists and the apparent failure to resolve the problem over the timing of the Irish input into the talks. There is no sign of a compromise. Unionist leaders said yesterday they remained willing to meet Mr Brooke.

### Second homes tax under fire

Local authorities in Scotland called on the Government to abolish the standard poll tax, the new local tax to pay for services and amenities, when



Daphne Parish (right) was met by her sister Brenda English (left) and other relatives as she arrived back in London yesterday after her release from an Israeli prison where she had served four months of a 15-year sentence before her trial. Mrs Parish was flown to the Zambian capital Lusaka on Monday, where she met President Kenneth Kaunda who had intervened to obtain her release. Mrs Parish, a nurse, and Farzad Bazoft, a British journalist, were arrested after they had driven to an Israeli military complex to investigate an explosion. Mr Bazoft was accused of collecting soil samples to try to establish the nature of weapons used at the military base. He was executed in March.

it applies to second homes. It says the standard charge causes difficulties to local authorities out of all proportion to the "benefit" it seeks to tax.

The Convention of Scottish Local Authorities (Cosla) told Mr Malcolm Rifkind, Scottish Secretary, that all houses which were not someone's sole or main residence should be liable to non-domestic rates instead of the standard community charge.

### Miners may sue IMO

Members of the National Union of Mineworkers' national executive are today likely to consider suing the Paris-based International Miners Organisation for the return of up to £1.8m held in accounts abroad.

The executive will hear a report from four members who met Mr Gavin Lightman QC on Tuesday for advice on whether to try to claim the money, contributed from the Soviet Union and east Europe during the 1984-85 miners' strike. Although Mr Lightman urged the union's executive in his inquiry report to claim money held in IMO accounts,

there could be some reluctance to do this immediately because Mr Arthur Scargill, NUM president, is also the IMO president.

### Mail complaints

Unsolicited mail prompted nearly half of the complaints received by the Data Protection Registrar last year, three times higher than the figure for the previous year.

In his Sixth Annual Report to Parliament, Mr Eric Howe, the Data Protection Registrar, described a range of complaints from recipients of time share brochures to a man who received large amounts of unsolicited mail addressed to his late wife.

The rise in complaints of this nature was part of an overall sharp increase in complaints from individuals totalling 2838, two and a half times the figure for the previous year. Complaints about not being given access to one's own files fell from 18 per cent to 8 per cent.

● The European Community's executive Commission proposed EC-wide rules to protect the privacy of personal information held by public authorities and private companies, yesterday.

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The 1990s will be a decade of choice for Turkey. Although growth rates have been well above the European average, spiralling inflation has undermined living standards and political support for the government. There are growing fears that potential investors will increasingly turn to the exciting new opportunities emerging in Eastern Europe - underlined by the recent decision to delay Turkey's membership of the European Community.

To examine how Turkey will endeavour to remain attractive to foreign investment, Business International has arranged an occasion for business to meet government. This major two-day Roundtable will assess the key issues facing Turkey in the 1990s and will give senior executives the opportunity to hear from Turkey's leading decision-makers who lie ahead.

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- CEM BOYNER, Chairman of Companies, Chairman of Turkish Industrialists and Businessmen's Association, TUSIAD
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- TANISUK BLEDA, Deputy Under-Secretary for Economic Affairs, Ministry of Foreign Affairs
- ADHAN KAHVECI, Minister of Finance
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**FINANCIAL TIMES**  
EUROPE'S BUSINESS NEWSPAPER



# Fraud Office fails to clean up crime in City of London

By Richard Donkin

THE Serious Fraud Office has failed to clean up financial crime in the City of London since it was formed two years ago, Mr John Wood, its director, said yesterday.

His admission, coinciding with the publication of the SFO's annual report, followed recent disappointments in some of the high profile cases undertaken by the office.

Mr Wood said the City had taken notice of the SFO and that the regulation, investigation and prosecution of fraud was more effective than it had been two or three years ago.

But he said: "I think it would be wrong of me to say it has had an effect on cleaning up the City - that is an aim and an ambition. I don't think we have achieved it or anything like achieved it yet."

"I would hope that in due course - and we are nowhere near it yet - the SFO, the City regulators and the prosecutors will be so effective that it will at least cause a lot of people to pause before carrying out a fraud."

"I suspect that is probably the best we shall be able to do. The rewards of successful fraud are so great the temptations are irresistible to quite a number of people." He said.

There could be some to do this immediately Mr Arthur Scargill, president, is also the president.

Mail compe Unsolicited mail, nearly half of the received by the Post Office, is three times higher than the figure for the previous year.

in his Sixth Annual Report to Parliament, Mr Wood said the SFO had received a range of complaints from time share brokers, man who received large amounts of unsolicited mail addressed to his law.

The rise in complaints was part of a general increase in unsolicited mail, rising from 1.5 million in 1987 to 2.5 million in 1989, he said.

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The rise in complaints was part of a general increase in unsolicited mail, rising from 1.5 million in 1987 to 2.5 million in 1989, he said.

Executive Committee proposed EC-wide review of the private information held by authorities and companies, year.

# Post Office loses £60.2m on sale of Girobank

By Paul Abrahams

THE Post Office, Britain's state mail network, made an extraordinary loss of £60.2m when it sold Girobank and its leasing subsidiaries this year, according to the Post Office's annual report published yesterday.

The report for the first time provides full details of the scale of the losses made on the controversial privatisation.

The way the deal was concluded led to accusations by the opposition Labour Party of incompetence at the Department of Trade and Industry, the government department which helped organise the sale.

Girobank, the Post Office's banking arm, was sold earlier this month at a loss of £43.6m to the Alliance & Leicester Building Society.

The Post Office received £111.5m compared with the bank's net value of £155.5m at the end of the year to March. The remaining loss of £16.6m was made on the leasing subsidiary which was sold to Norwich Union.

At the same time, it was announced that the Post Office suffered a 32 per cent fall in pre-tax profits for the year ending 28 March 1990.

Profits fell from £170.1m to £116.4m on turnover which was up from £2.9bn to £4.1bn.

The Post Office, however, stressed that the results, which represent the fourteenth successive year of subsidy-free profit, were above the targets set by the Government.

The Post Office has introduced new targets based on return on capital employed rather than return on sales - more in line with practice in the private sector.

The target is set to rise from a figure of 2.4 per cent set last year to 6.3 per cent in 1990 and 10.6 per cent the following year.

Any additional profits would be reinvested in improved services, the Post Office insisted.

Profits in the Royal Mail letters division and Parcelforce, the separate express parcels operation, fell from £27.4m to £32.1m, while those at Post Office Counters also declined from £21.7m.

Girobank made a profit of £30.2m against £21.1m last year.

# British prosperity compares poorly with Europe

By Alan Pike, Social Affairs Correspondent

REGIONAL wealth in Britain is lagging behind many of its European partners and gross domestic product per head in the prosperous south east, dominated by London, has been overtaken by Lombardia in Italy, according to the latest issue of the Government's Regional Trends report.

The report published today compares gross domestic product per head in Britain with other countries based on an EC index of 100.

The UK scores 107 overall with the south east, the wealthiest region, recording the highest GDP per head at 131.

Italy, meanwhile, has an overall national score of 104, but its Lombardia region nudges ahead of the UK's south east to 138.

Spending in Britain is, in line with earnings, highest in the south east. Even though the region's residents have the nation's highest housing costs,

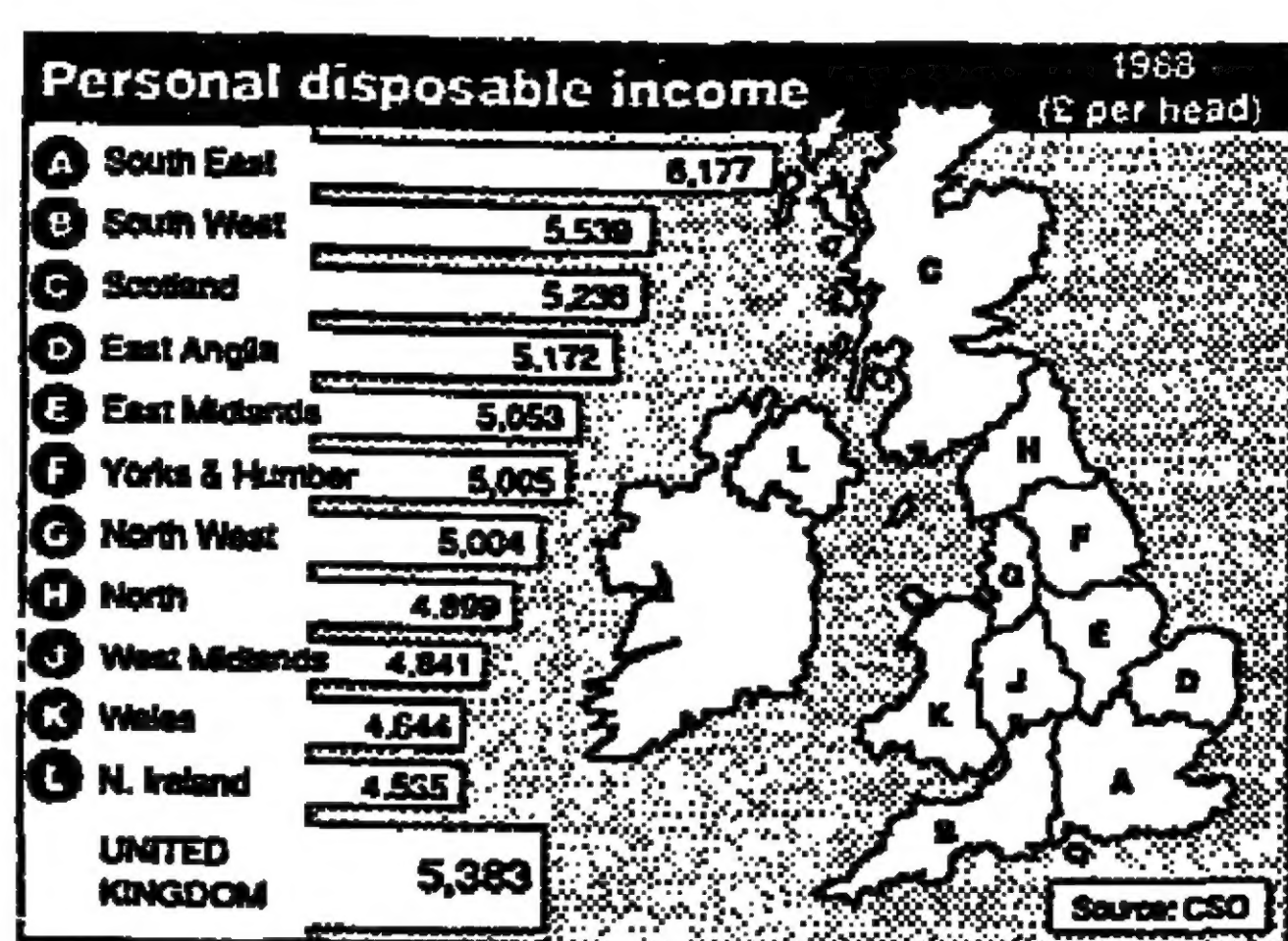
they still manage to spend more on leisure goods and services than anywhere else except neighbouring East Anglia.

But GDP per head in the south east is considerably less than the Hamburg region of West Germany which has a score of 182, Ile-de-France 164 and the Brussels region on 155.

The Regional Trends of Wealth and Lifestyles shows substantial shifts in population have been taking place from many of Britain's older urban areas in recent years.

During the 1980s, the main growth in population occurred in East Anglia and the south west - although they remain the two most sparsely populated English regions - while the north, the north west and Scotland all lost population.

The proportion of retired people in the UK's population is high compared with other EC countries except Germany and Denmark, and the UK



region with the greatest proportion of residents over pensionable age - 21 per cent - is the south west. On the basis of 1986 figures available for comparison, it has the highest proportion of retired residents in the entire EC.

Welsh men and women had the UK's lowest economic activity rates in 1988 - 5 and 6 percentage points behind the average - while average household expenditure of £177 per week was well below the UK level of £196.

Gross full-time male earnings averaged £238 per week in April, 1988, lower than in Scotland or any of the English regions but ahead of Northern Ireland's £231.

The region providing the greatest contrast to Wales in GDP terms is, not surprisingly, the south east of England which has a GDP per head 19 per cent above the UK average.

Greater London has the highest GDP per head, at 147 per cent of the UK average when the earnings of commuters living outside the capital are included.

It is still high at 126 per cent of the average if they are excluded.

Average gross weekly male earnings in the south east were £212 per week in April, 1988, compared with £243-£256 in the rest of England. Women's pay averaged £228, compared with a range of £189-£171 elsewhere. Regional Trends 25 HMSO £21.50

# Kinnock earns US recognition for Labour

By Peter Riddell, US Editor in Washington

MR NEIL Kinnock, the leader of the opposition Labour party, came to Washington looking for what the Reverend Jesse Jackson calls "respect" - the recognition that he is, what the black leader describes as, "qualified."

On his visit to Washington, which ended last night, Mr Kinnock wanted to be treated as a potential prime minister. He recognised that the Bush administration would not offer support; all he wanted was courtesy and interest.

In short, he wanted to erase the nightmare of his last, March 1987, visit, when there was an embarrassing squabble over the length of the meeting with former President Ronald Reagan and over Labour's defence policy.

Mr Kinnock fully achieved his public objectives. He was given a lengthy and polite reception by President George Bush, vice-president Dan Quayle and other senior members of the administration, as well as by Congressional leaders.

The visit went better than in March 1987 in large part because the Bush administration recognises the change in Labour's policies in the last



Establishing contact: Neil Kinnock and George Bush at the White House on Tuesday

couple of years, especially on defence and the European Community.

This does not mean that Mr Bush and his advisers support Labour or want Mrs Thatcher to go, but they do want to have good relations between the White House and a potential British prime minister. Similarly, Congressional leaders

are more interested than in the past in Labour's views.

When Mr Kinnock emerged from the White House late on Tuesday, he virtually wrapped himself in the Stars and Stripes in talking of a "common agenda" and "a healthy and productive relationship with a very common view."

Labour's unilateralism and

anti-Americanism of the early 1980s is a world away.

Mr Kinnock's views on a continued American presence in Europe, the future of Nato and arms control are broadly similar to those of the Bush administration so he was able to portray himself successfully as in the mainstream of international opinion.

So big has been the change that, to the surprise of Mr Kinnock's advisers, he was hardly asked about Labour's defence policy, even when meeting Mr Dick Cheney, the US Defence Secretary. The US side did not raise difficult subjects, such as the siting of nuclear weapons.

Mr Kinnock may now have removed, or at any rate significantly reduced, a potential area of political damage - the threat to transatlantic relations and Nato if Labour were to win an election.

He may have achieved the aim, expressed by Mr Gerald Kaufman, the opposition spokesman on foreign affairs, who accompanied him, of presenting Labour as a prospective government and a reliable partner in Nato and the EC.

But that does not mean Washington policy makers have suddenly become Kinnock-enthusiasts.

For all his apparent command over his brief, some Americans who met Mr Kinnock privately felt that questions about his depth and grip on issues had not been fully answered.

By Washington standards he still did not seem a heavy-hitter.

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## MANAGEMENT: Marketing and Advertising

Planning advertising strategy in a country where no-one knows what the next day's economic situation will be and where inflation swings between 1,800 per cent and zero in reaction to the latest in a series of government plans is no easy task.

But then Washington Olivetto is an unusual man. Not only is he known as the rock star of Brazilian advertising, with a personality and dress sense as colourful as his name, but his agency was one of Brazil's only businesses to see a window of opportunity in the seizure on March 16 of 80 per cent of all personal and corporate savings by the new President Fernando Collor.

For the rest of the Brazilian advertising industry this draconian freezing of assets was the final nail in the coffin of an industry already suffering a slump. With no money to spend, the first thing companies would cut would be advertising. But, says Olivetto, it was his "finest moment".

Within hours of the announcement, he had gathered together fellow directors of his agency, W/Brazil, at his house and after a 48-hour brainstorming session, rethought the marketing strategy for all their clients. After two sticky months with business falling by 15 per cent and then by a further 20 per cent, things are now 25 per cent up on the levels before the liquidity squeeze. Moreover, in April when six of the other top ten agencies were laying off staff, W/Brazil gave its own an across-the-board 42 per cent pay increase.

W/Brazil looks like Brazil's most innovative agency should. Claiming to be "a first world agency in the third world", its black wicker plant pots, sculptured lamps and designer blinds blotting out the skyscrapers of Sao Paulo would not be out of place in New York or London.

But Washington says working in Brazil in an oscillating economy has given his agency the opportunity to develop an edge over first world agencies and to become very versatile.

"We have a fantastic knowledge of economic crazes. I'm 38 and for my 15 years of professional life there have always been different economic fads. Since the agency was set up four years ago, governments have come up with four different national economic plans, each time bringing everything to a halt and forcing us totally to rethink campaigns."

Its strategy to cope with the

## A peculiarly Brazilian strategy

## 'Finest moment' of adland's rock star

Christina Lamb explains how the owner of one agency found a window of opportunity as inflation soared

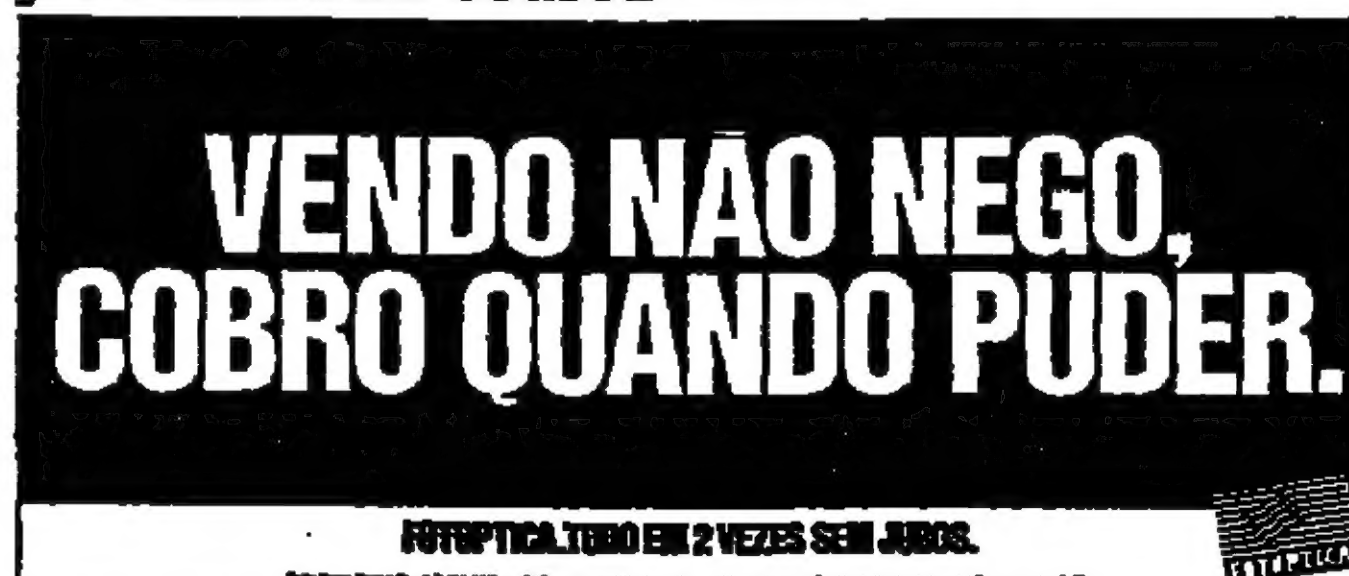


Collor freeze was effective - if crude. Bold black and white billboard and newspaper advertisements beseeched customers to buy clients' products with slogans such as "If you can't pay, we'll find a way" or, in the case of the photographic chain Fotopica, "Please, for God's sake, buy something - however small; we need the money".

What W/Brazil had latched onto was that overnight "credit had gone from being an impossibility to a necessity," says Washington. When inflation stood at 84 per cent a month, credit cards were not accepted and paying in instalments carried extremely high penalties. Suddenly people's cashflow had been brought to a halt; the government's radical measures had slashed inflation to 0 per cent. It is now back to double figures.

W/Brazil's campaigns, therefore, focused on easy terms of payment. An added incentive which capitalised on the fear of potential customers that recession might affect their job security, was that if the buyer became unemployed he or she need not pay the last two of four monthly instalments.

The most successful campaign was that for the Zacharias tyre retailing empire which



Washington Olivetto: ads exhorted people to buy now and not deny themselves after the presidential freeze on savings

had been in the red. Within three days of the Collor announcement, W/Brazil had adverts ready claiming: "If you have anything which needs doing but no money, come in and we'll find a way." According to Gabriel Zelmester, the agency's artistic director, only three people visited the 60 shops the day after the Collor Plan was announced; within seven days of the advert appearing, there were 700. This compares very favourably with Zacharias' best ever day of 1,000 customers.

Another client, Cofap, one of the world's biggest shock absorber manufacturers, worth \$750m and employing 25,000 people, was, according to Zelmester, "on its knees and laying people off." No one was repairing cars and exports were down because of a poor exchange rate. In April W/Brazil began a \$7m TV campaign featuring a dachshund begging for money to pay for a shock absorber for its master's car. Since then Cofap has exceeded projections made in December and sold July's production in June.

However, not all clients have prospered. Olivetto explains: "Some clients, such as banks, and domestic appliance and motor industry companies, immediately stopped advertising, so we concentrated on clients selling consumer products and advised others not to advertise. People just won't buy new washing machines at a time like this. We want our clients' business for 20 years not three months so we were

national advertising revenue is 55 per cent on television, compared with 27 per cent in newspapers, 12 per cent magazines and 6 per cent radio.

Perhaps partly because of the large volume of television adverts it produces, W/Brazil last year had 19 commercials for 17 different clients short-listed at the Cannes Awards in France. In Brazil, the agency won nine of the 12 best TV commercials at TV Globo, in a competition run by the company, which is the country's leading TV station and the world's fourth largest.

W/Brazil makes 125 commercials a year for 26 clients which include the country's biggest shoe factory, second biggest producer of cleaning products, the largest insurance company and one of Brazil's leading banks. Because he values the agency's independence, Olivetto turned down offers from all five Presidential candidates to handle their advertising campaign in last November's elections.

Olivetto is hoping for a tie-in with a foreign agency and claims: "With clients like these, in London or Europe our income would be ten times more. Brazil's great tragedy is that out of a population of 150m we have only 4m to 5m consumers."

The secret of his agency's reputation for originality, according to Olivetto - who has become something of a television personality - comes from "keeping the atmosphere buzzing." He regularly sends flowers to the female staff, the day's work is celebrated with drinks all round and every other Friday, stars are brought in ranging from TV personalities to footballers, artists to singers. He explains: "We have to keep our finger on the pulse."

The staff numbers are small, only 126, but wages are kept high to attract the best. Passing like a whirlwind among copywriters and designers Olivetto says they are all hand-picked. "Our slogan is excellence in advertising and that means all our work. Other agencies have one brilliant job a year and live on that. For us each week without one brilliant TV commercial or newspaper advertisement makes us nervous."

With inflation now creeping back up to monthly double figures Washington expects to have to produce another advertising strategy for a new economic reality soon. "To think of Brazil without inflation is like transforming La Cicciolina into Mother Teresa," he says.

## Socially responsible advertising

## Snapping up controversy

By Alice Rawsthorn

A mentally handicapped man is stacking the shelves of a supermarket. Shoppers sweep past him averting their eyes. The film freezes catching the man in a smile. Suddenly he is happy with no sign of a handicap.

This starts off like a public service announcement but turns into an advertisement for Fuji film. It is now running on British television with another Fuji commercial in which an Asian woman is shunned by a group of white mothers as she waits to collect her daughter from school. This commercial also has a happy ending. The film freezes as a white child smiles while the woman hugs her daughter.

Howell Henry Chaldecott Lury, the advertising agency that created the commercials, sees the Fuji campaign as the prototype of a new genre of "socially responsible" advertising which highlights the unpalatable problems other ads ignore.

The counter argument is that, far from being socially responsible, the agency is exploiting other people's problems - mental handicap and ethnic oppression - to attract attention to itself and to its clients' products.

Rupert Howell, HHCL's managing partner, brushes aside such a suggestion. The agency checked the commercials with Mencap and the Commission for Racial Equality before they went on air, he says, and he has "bucketsful of letters" from charities complimenting him on the commercials.

HHCL has cornered the market in controversy ever since it started four years ago. It is by far the polestar of the noisy Olivetto says they are all hand-picked. "Our slogan is excellence in advertising and that means all our work. Other agencies have one brilliant job a year and live on that. For us each week without one brilliant TV commercial or newspaper advertisement makes us nervous."



Fuji says it with a smile

account, which HHCL won last autumn, offered an opportunity to produce yet another controversial campaign.

Fuji was the second player, after Kodak, in the UK film market and had spent relatively little on advertising in the past. HHCL's brief was to create a campaign to differentiate it from its competitors.

All the existing ads for films concentrated on the quality of the colour. HHCL decided to position Fuji as the film for professional photographers and to focus on the power of photography. It chose to do so by using everyday images.

In some respects it is strange that the Fuji commercials should seem so striking. They do not, after all, depict violence or even overt cruelty. The shoppers simply ignore the mentally handicapped man, just as the white women ignore the Asian mother.

"It is not as though we showed a bunch of skinheads kicking in a Pakistani shopkeeper, or spraying 'Pakis Out' on the shop," says Rupert Howell. "I do not think the ads are shocking, just incredibly intriguing."

Advertising agencies usually try to be shocking or intriguing either by spending lots of money on lavishly produced films, or by producing humorous ads. The Fuji commercials fit neither category. They were made very cheaply: just £20,000 to produce both. And they are certainly not humorous.

The ads are striking - and very powerful - because they are so different from conventional commercials. Advertising tends to be an aspirational medium. It persuades people to buy products by painting a rosy picture and papering over life's problems. Real life, particularly its less palatable side,

rarely intrudes. It is testimony to the mind nature of most advertising that Ogilvy & Mather's current campaign for Lever Brothers' Radox detergent has caused such a stir. The Radox ads, in which an ingratiating presenter shouts about smelly shirts, attract attention by being so different from the usual round of squeaky clean, whiter-than-white soap powder commercials.

The Radox campaign recently topped Marketing magazine's "most disliked ads" poll. But it has been startlingly successful in sales terms. Radox has captured 8 per cent of the £500m soap powder market in ten months. Joe Ogilvy, account director at Ogilvy, says the agency deliberately devised a campaign which, although the audience might not like it, could not be ignored.

In an industry where smelly shirts are considered to be controversial, it is scarcely surprising that commercials featuring mental handicap and racism should be seen as the pioneers of a new wave of "socially responsible" advertising.

The irony is that if they are - and if agencies do start to churn out copycat "real life" ads - the Fuji commercials might not be quite so powerful after all.

## Stewart McColl Associates

WPP Group has asked us to point out that Stewart McColl Associates was a public limited company, not a publicly quoted company, and was not in financial difficulty at the time of its acquisition two years ago.

## TECHNOLOGY

When Sir John Harvey-Jones says with emphasis that information technology is critical for industrial success, his views carry a hard-earned guinea stamp.

His period as chairman of ICI was distinguished not only by a transformation in the company's fortunes and morale but also by a steady flow of accounts, sometimes anecdotal, about the ways individual departments in ICI were using IT for competitive advantage.

It was, for example, one of the first companies to develop an executive information system, a method of displaying, analysing and modelling company results on a computer screen.

In his latest incarnation as the BBC's "Troubleshooter" he has built a reputation as the man whose clear business sense enables him to see where companies - often in commercial areas he knows nothing about - are getting it wrong and prescribe appropriate remedies.

But he is the first to admit that there are no magic routes to success either in general management or in the use of IT.

The problem, on the other hand, is crystal clear. IT has created powerful new manufacturing techniques, generated whole new classes of products and services and opened up powerful new ways of buying, selling and communicating.

Yet survey after survey reveals that UK companies, by and large, are ambivalent about their use of IT, believe they get poor value from investment in technology and are mostly concerned with using computers to cut costs.

In other words, as modern business moves towards "flexible alliances" between customers and suppliers,

## A hostage to IT's fortune

Sir John Harvey-Jones speaks to Alan Cane about information technology

companies are more concerned with the efficiency of their computer systems rather than seeking effectiveness from them. There are notable exceptions - major retailers, the banks and taxi companies have all made imaginative use of IT.

But senior - and, by implication, older - business executives often find it hard to come to terms with the potential of IT to revolutionise the way they do business. "The reason we do not see this as clearly as we should," Sir John says, "is that the implications of IT in industry are only just beginning to dawn on senior management. It has been used as a way of mechanising the way we do things but that is not its true value. IT enables you to do things in totally different ways. The problem is that IT is now so expensive a component that every board of every company I know spends quite a bit of time discussing it."

Briefly, Sir John argues for: ● Radical thinking stimulated by exposure to a broad church of ideas: "A lot of the people with the ideas about how a company should be saved through IT are 30-35 years of age and poor communicators. Not

many companies will allow a somewhat incoherent, 35-year-old genius to make his impact."

● His technique at ICI was instructive: "When I was chairman of ICI, I used to see the head of my IT department, who was a generation younger than I, every month, privately and personally when we would discuss all the things I wanted to achieve. He was one of the few people who was privy to all my dreams."

● Better attention to the human factors in managing change: "Change is not limited by technology. I do not know of any hardware or software manufacturer that could claim to be using more than 60 per cent of the potential of the technology available today." He says the limiting factor is the rate at which people can change.

The business winners, Sir John thinks, are going to be those with the imagination and foresight to visualise completely different ways of running business using technology.

● A gradualist approach to technological innovation to minimise risk: "You do not minimise risk by avoiding it, but you can avoid taking too many steps at once. Either apply a leading edge computer to a job you



Sir John Harvey-Jones: 'You do not minimise risk by avoiding it'

know or use a tried and trusted machine for a leading edge business concept. You are crazy if you build a new application using a new computer language and a new computer system."

Obey all of Sir John's tenets and the path ahead will still be far from smooth. He is a disciple of Professor Michael Scott-Morton, director of the Massachusetts Institute of Technology's five-year "Management in the 1990s" study, which has opened up

many of the complex relationships which determine whether a company can seize competitive advantage through IT.

In particular, he shares Scott-Morton's conviction that a continuous reappraisal of strategy is essential: "I do not believe we can get sustainable competitive advantage through IT. You cannot make one jump that keeps you ahead. But unless your IT is competitive then you are in a desperate situation," Sir John concludes.

## Louise Kehoe profiles a Silicon Valley start-up company that aims to commercialise superconductivity

## Going with the current's flow

Superconductivity is one of those technologies that everyone agrees has enormous potential but nobody seems to know how to commercialise. Enter Conductus, a Silicon Valley start-up company with high hopes, venture capital backing and a staff of engineers hardened by experience in the semiconductor and computer industries.

The company's mission is "to commercialise superconducting electronics in a way that will provide significant benefits to society and bring a substantial return on investment," says Peter Cannon, Conductus president.

This month Conductus took an important step towards achieving its goals by opening the world's first factory dedicated to manufacturing superconducting electronic components. "Our doors are open

and we are ready for business," says Ora Smith, vice president of marketing. Conductus has already built prototype superconducting devices for several customers including Hewlett-Packard, one of its financial backers, he says.

Conductus aims to create new markets by splicing superconducting technology with conventional electronics. Potential products include sensitive sensors which can, for example, detect the radiation emitted by a distant star or the tiny electromagnetic signals of the human brain.

Superconductivity is a phenomenon in which electricity flows without resistance. "What superconducting chips

buy you is increased speed of operation and reduced power consumption," Smith says. "The price you have to pay is keeping the superconductor cool." Conductus plans to make superconducting devices that operate at about minus 240 deg F, the temperature of liquid nitrogen.

The company has developed methods of forming micron-thin layers of superconducting material needed to make electronic components on a chip. Conductus plans to bring to market next year a bolometer, a device to measure heat radiation. It will have a strip of superconducting material set at a temperature on the threshold of superconductivity.

When radiation strikes the material it warms momentarily. This causes a rush of current that can be detected by sensors. The device is expected to find applications in scientific instruments such as spectrometers.

Conductus is also working on the development of devices called Superconducting Quantum Interference Devices (Squids). They have a loop of superconducting material with two connections. When the magnetic field within the loop changes, the current flowing through the loop varies sending a signal to an electronic system.

Potential applications of Squids include systems to detect brain waves and to monitor the human heart. The Squid could also be used to enhance the sensitivity of surveillance systems on board planes and in tanks.

As well as developing its own products, Conductus plans to form collaborative ventures, acting as a foundry for manufacture of superconductivity devices they design.

Conductus faces potential competition from some of the world's leading electronics companies such as IBM, Hewlett-Packard, Hitachi, Fujitsu and NEC. Its focus on superconducting components sets it apart, however, and files in the face of the prevailing wisdom in the US electronics

Instead, Conductus plans to form research and development partnerships like those common in the biotechnology industry to finance specific product development projects. The company aims to generate revenues of \$1.2m in 1990, growing to \$3.8m in 1991. Profitability is about four years off, Conductus says.

Conductus expects to face fierce competition from Japan as the market for superconducting chips develops. "The Japanese are good at high volume manufacturing. When this becomes more than just a boutique industry it will be time for us to sharpen our swords," in preparation for a competitive battle, says Smith.

## Y little boys are now in the pink

By Clive Cookson

What makes a boy? Slugs and snails and puppy dogs' tails - and a gene called SRY.

Experiments at the Imperial Cancer Research Fund and the National Institute for Medical Research in London, published in Nature today, show that SRY (sex-determining region Y) is almost certainly the long sought-after gene that bestows maleness in mammals.

The scientists, led by Peter Goodfellow at the ICRF and Robin Lovell-Badge at the NIMR, do not yet have conclusive proof that SRY is the male sex-determining gene, though they are privately confident that it is. While a shadow of scientific doubt remains, they have to adopt a cautious public attitude. Other candidates for the sex-determining gene have been proposed before - and shot down. A strong candidate put forward in 1987 by David Page and colleagues at the Whitehead Institute in Boston was ruled out by further research last year.

Biologists have known since 1959 that the gene must lie somewhere on the Y chromosome. Women's eggs contain only the X sex chromosome, while men produce equal numbers of sperm with X and Y chromosomes. An egg fertilised by a Y sperm becomes an XY embryo, which will secrete male hormone after seven or eight weeks and develop testes. An egg fertilised by an X sperm becomes a female XX embryo.

The search for the sex-determining gene has focused on those extremely rare individuals who, because of natural mutations, are either biologically female and genetically male (XY) or biologically male and genetically female (XX). Scientists are looking for a gene that is consistently deleted from the Y chromosome of XY women and is transposed to the X chromosome of XX men.

SRY fits the bill. And further evidence that it is the sex-determining gene is that SRY is "expressed" (switched on to produce protein) in men's testes but not in any other organs. An almost identical gene is found in other male mammals - and it is

expressed in the mouse embryo at the exact point when male and female development begins to follow a different path. Even yeast has a similar gene, which is thought to influence "mating-type", its equivalent of sex.

The scientists hope to obtain conclusive proof by carrying out a gene transfer experiment with mice. If SRY is transferred to a normal XX embryo mouse immediately after fertilisation, it should grow into a male.

Proof that SRY is the gene that makes boys will not be the end of the story. The next challenge will be to find out what switches SRY on and how it in turn regulates other genes that determine the development of the male embryo. Answers to those questions would be of fundamental biological importance, with applications from fertility to cancer research.

One of the most important current problems in biology is how the embryo develops - what organs they should grow into. "Here we have a gene which determines whether the gonad is going to become a testis or an ovary," Goodfellow says. "In some instances cancer looks like a developmental disease. The cancer cells don't stop dividing. If we understand the general principles of how control genes work, we may understand what's going wrong in cancer."

But the first practical application of the discovery is likely to be in agriculture. It could ensure that beef cattle breeders get only male calves, without unwanted heifers. The idea is to produce a transgenic bull with additional copies of the SRY gene on chromosomes other than the Y chromosome. Its offspring would be male whether they were XX or XY.

However, the scientists were quick to point out at a press conference in London yesterday that it would be both unethical and impractical to use a similar procedure on humans. Parents who really wanted to know if their baby was a boy would find it easier to undergo in-vitro fertilisation and have a male embryo implanted in the mother's womb.



# İZMİR AND THE AEGEAN

Thursday July 19 1990



Izmir's industry, dominated by its patrician families, has shown resilience to the changing

fortunes of the Turkish economy, reports Jim Bodgener. The region has learned to adjust its role around that of Istanbul and enhanced its commercial prospects

## In search of opportunities

DURING the 1980s, it appeared that Turkey's third largest city would be completely eclipsed by the frenetic bustle of commercial activity generated by the Government's free-market policies in Istanbul. Not that the ancient Smyrna was in decline but with its more measured and graceful pace, it might have fallen behind its sister metropolis.

However, Izmir's industry, banks and commerce, dominated by patrician families whose origins in some cases go far back into Ottoman times, and include Levantine, French, English and Italian dynasties, have demonstrated a resilience inured from long experience of the changing fortunes and vicissitudes of the Turkish economy.

While an overspill of banks and industry from Istanbul has washed into the city, the older (familial) networks have rallied, issuing in a series of mergers and joint ventures. Izmir's native enterprises have even sought wider opportunities in Istanbul.

The region's economic future seems assured, given its solid affluence grounded in its abundant agricultural base. Per cap-

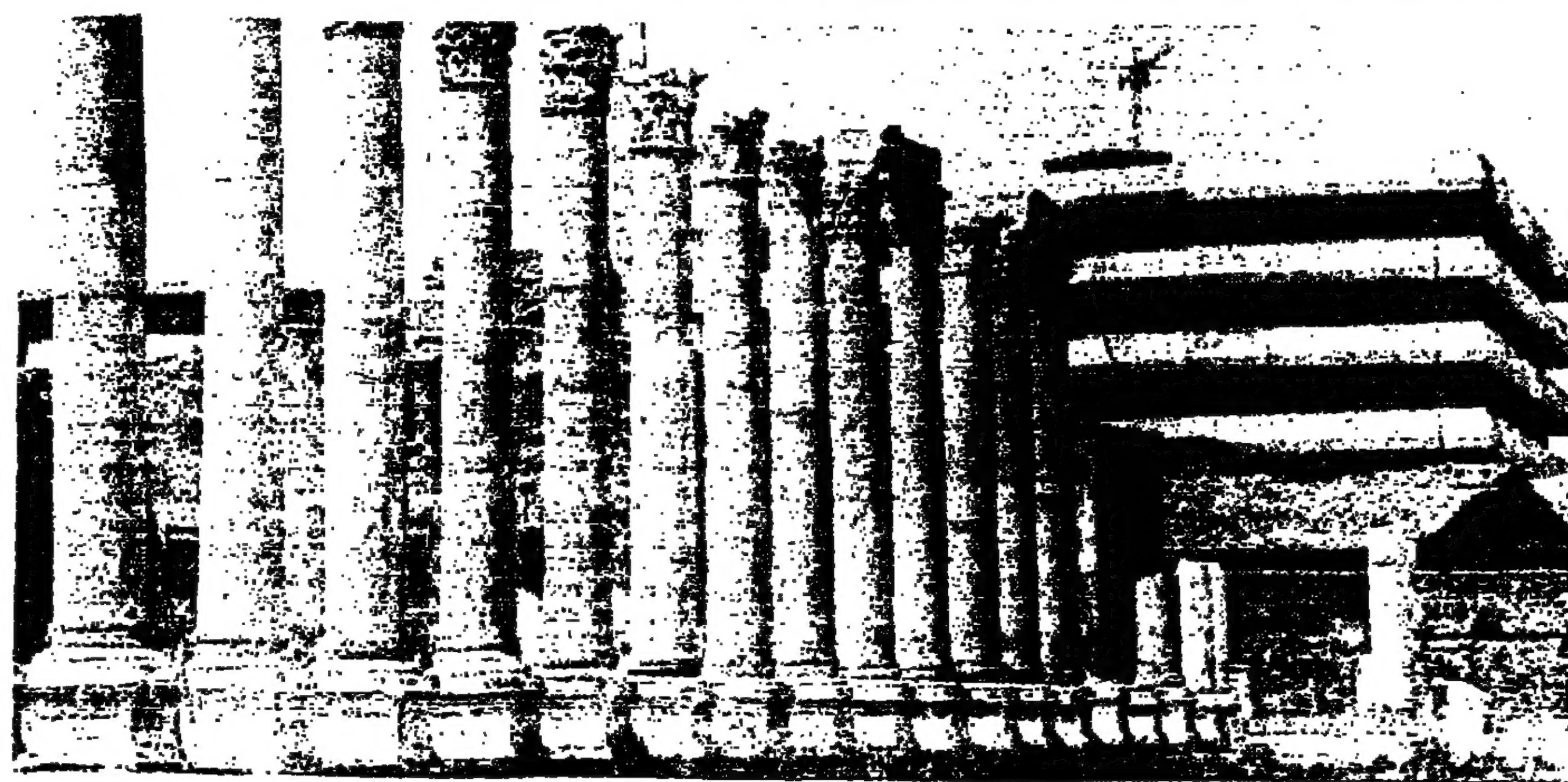
ita income is generally higher here than in other parts of the country, and Izmir and the Aegean lead Turkey in consumer potential.

A symbol of the city's commercial promise is the rising tower of the Izmir Hilton, destined to challenge the Buyuk Efes Hotel on the city's central square (Cumhuriyet Meydanı) for the position of the city's premier hostelry. An international trade centre is being planned by Izmir municipality, while a new entrant, entrepreneur Mr Huseyin Bayraktar, plans to replicate his successful Galleria shopping mall in Istanbul.

For foreign investors, Izmir and its environs have many advantages when compared with other regions, even Istanbul.

It has a well-educated population comprising some 11 per cent of the Turkish population. The Aegean region is well-endowed with good educational establishments, from which issue a pool of intelligent people who usually do not want to leave their home city. Bankers and industrialists in Istanbul face high quality recruits.

The Aegean accounts for



The Roman Agora at Namazlar

about one-sixth of total farming produce, and more than one-tenth of total industrial output.

The city's port facilities at Alsancak handle roughly one-third of the country's total exports, and one-tenth of its imports, with some 2,000 ships berthing annually. Mass tourism in Turkey started in the Aegean, and though cooling off this year, is still one of the most promising growth avenues.

Leading foreign investors, particularly in the car industry, have taken note of Izmir as a less congested bridgehead into a domestic market with an expanding consumer culture and a fast proliferating population.

Heading a new wave of foreign investment are two car projects, one by General Motors nearing completion at Torbalı, and another in the wings by Peugeot/Citroën. Both will foster components industries.

There have been serious suggestions that Izmir should start Turkey's second stock exchange. Others with a medium-term outlook say that is at least two years into the future as Izmir's leading families are

not ready to let go much of their jealously guarded equity. According to this view, the Istanbul stock exchange should be allowed to gain sufficient strength before another market competes for domestic equity listings.

Optimism abounds. With its pivotal location and port facilities close to European markets on the one hand, and to the Middle East on the other, Izmir could be more important than Istanbul in the long-run, says Mr Dunder Soyer, a prominent businessman and politician.

The development drive in Turkey during the 1980s, with attendant pains, did not pass Izmir by.

It too has its share of the grand infrastructural projects launched in the early years of what by now has become known as the Çatallı era, after President Turgut Özal, prime minister for much of the decade. Schemes included a highway project into the hinterland, a new Adnan Menderes airport and port and harbour works.

The region has a population swollen by rural-urban migration, with the resulting social and environmental problems that are crying out for immedi-

ate and remedial public works.

In last year's March local elections Izmir, like the other main urban conurbations across Turkey, rejected the ruling Motherland Party for failing to curb high inflation. As in Istanbul and Ankara, a new metropolitan administration from the main opposition Social Democratic Populist Party (SHP) took over from ANAP.

It promised to clean up on the allegedly murky track record of its predecessor, by instituting a local government truly responsive to the city's special needs, rather than an administration answering to Ankara's political dictat.

More than a year later, as in Istanbul, disillusion with the lack of visible progress on the city's more pressing problems has soured the early honeymoon of the electorate with its new mayor, Mr Yuksel.

His critics say he has become too embroiled in politicking, and disputes with the subordinate district mayors over issues such as land allocation. The administration's defence is that it has been denied the central government munificence bestowed liberally on its predecessor.

Whatever the truth, Izmir's problems need urgent attention. The pollution of the bay, for example, and particularly the harbour area with its floods of untreated sewage and industrial effluent.

The stench from the sea and the Meles creek behind Alsancak is overpowering at times - that same sacred Meles beyond which, legend has it, Apollo pledged that happiness would attend the city's founders and inhabitants.

However, to walk along the city's corniche boulevard today leaves very little appetite for the fish restaurants the city is famed for.

In what seems a golden age, though only about twenty years ago, the citizens could go swimming on beaches at the end of the bay, and people tied up boats at the bottom of leafy gardens. Now the rich have moved out, to Çeşme and other more salubrious areas.

The problem needs a comprehensive approach, with large investments in new sewage treatment infrastructure and industrial waste treatment plants. Contracts are being awarded for the Izmir Great Channel Project, supported by the World Bank, but it will be

several years yet before its beneficial effects are noticed. By that time, Izmiris may have lost faith with Mr Cakmur.

One salutary trend from the existing pollution, however, is a determination among the city's inhabitants not to let it get worse.

In one of the largest popular demonstrations since the 1980 military coup, about 20,000 residents joined hands earlier this year and formed a human chain around the city centre in protest at the proposed construction of a \$1bn thermal power station at Aliaga, about 40 kilometres up the coast to the north.

The project had been awarded to a Japanese consortium on the government's build-operate-transfer (BOT) method of farming out franchises to the private sector. Environmental opposition fronted by Turkey's fledgling Green Party has forced the Government to add an expensive flue desulphurising scrubber to the scheme.

Nostalgia is often expressed for the Izmir of days long gone especially by old-timers who find the city increasingly frenetic, tawdry and soiled. They say the genteel manner with which Izmiris traditionally conducted their business affairs is sadly passing.

However, a tangible warning that the city cannot cling to its past is the Izmir International fair, founded by the great nationalist leader and the Turkish republic's founder, Mustafa Kemal Atatürk in the 1930s as Turkey's shop window to the world, and vice-versa. It used to be the podium from which Trade Ministers announced annual programmes. But it has recently lost much of its former importance.

The debate is now whether the fair should still falter on with annual international exhibitions, or concentrate its resources more on dedicated themes, such as construction equipment, or food processing and farm machinery.

The world's cities cannot subsist on nostalgia alone. Happily for Izmir, international, national and local interests are coming together to reshape and renew its identity.

### IN THIS SURVEY



Izmir clocktower

Izmir Borsa  
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The tobacco sector: mergers point the way Page 4



Izmir clocktower

## I left my heart in İzmir

This is an authentic statement of an overseas banker.

A correspondent banker, who regularly visits İzmir, the pulsating heart of the Aegean Region of Turkey.

The reason, he says, is manifold.

- Fabulous sunset at İzmir bay
- "Loligo vulgaris", the tender squid à la İzmir
- And friendly faces, old friends at EĞEBANK. The folk who know the Aegean Region like the back of their hands.

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## IZMIR &amp; THE AEGEAN 2

DURING THE sunset of the Ottoman empire, Turkey's pioneering urban centre of industrialisation was Izmir as the centre of foreign capital investment. Today, the Aegean region accounts for 11 per cent of the country's manufacturing output, and 13 per cent of its industrial exports.

Some of the enterprises established early this century are still trading. In spite of the new investment building up in Izmir its big business and industry, at least in the Aegean context, is very much owned by some 15 tightly-knit and networked families, such as the Yasars who came from Rhodes early in the century.

Some families such as the Ozakats go back into Ottoman history. Others, such as the textiles dynasty of the French Giraud family, are of more recent foreign advent, but are established patricians. Yet others have moved their business headquarters to the country's financial and industrial centre in Istanbul, but retain a strong presence in Izmir.

Traditionally, Aegean industry has, like its exports, reflected the agricultural base of the regional economy, in food products and textiles. The rationale in the 1960s and 1970s was import substitution, leading to, for example, the establishment of a British Motor Corporation (BMC), later the British Leyland truck plant with the addition of Land Rover.

However, during the 1980s, the export drive pursued as the linchpin of the government's economic policies brought about a significant restructuring and diversification.

Textiles came more to the fore, while the large private iron and steel complexes established at Yenil Foca proved to be a model of cost-efficiency to state-run mills elsewhere in Turkey. However, two of the mills last year faced serious difficulties, partly as a result of the Government's withdrawal of export subsidies in line with GATT commitments. Metas, had to shut down this year, though the Government is expected to produce a rescue package.

Much of the investment in the region in the early 1980s was accounted for by the development of a large state-owned petrochemical complex at Aliağa. Alpet, for Petkim, the state-owned petrochemical concern which will be substantially denationalised this year. As Istanbul becomes more crowded a fresh wave of large national and multinational corporations is moving in to



Metas plant at Izmir: founded in 1956, it had to shut down this year

## INDUSTRY

## Still a family affair

Izmir. These include car makers, General Motors and PeugeotCitroën. Izmir with its highways and port facilities had obvious advantages over Istanbul for these companies.

"We looked at many sites in Istanbul, but they were all too congested," says Mr Ziad Nashif, managing director of

"The world is getting smaller and smaller because of the information explosion," says Professor Baybars Tek, teacher of marketing at Izmir's Dokuz Eylül University.

"World brand names are fast expanding throughout Turkey through imports and exports, and an expanding service cul-

panies established in the zone will be exempt from Turkish taxes, tolls and customs duties - except exports from the zone into Turkey.

Industries in the zone are seeking to attract the region's existing traditional and more recently founded industrial activities such as electronics and related hi-technology manufacturing, food processing and packaging, chemicals and pharmaceuticals, specialty textiles and footwear, machine parts and accessories as well as banking, insurance and engineering services.

However, along with the rest of Turkey the region has suffered from scarce capital financing. In this respect, relatively heavy investment in traditional consumption industries such as food processing, tobacco and cotton/textiles could be better understood as necessary adjustments to the export drive.

Turkey has seen many oscillations in demand since the early 1980s. One of the biggest problems for consumer durables manufacturers is that the country is in the grips of an upswing and companies find it difficult to respond adequately after having tightened their belts for two years due to high interest rates, and the poor credit rating that much of the under-capitalised industry has.

The rise in demand was partly politically generated with government wage and salary hand outs last summer. To the dismay of the private sector this was repeated to some extent this year.

The credit squeeze particularly hurts small-to-medium size companies, which form the majority of manufacturing enterprises in the region under the crust of the larger corporations. This stunts upward mobility, and ossifies the larger corporations in their commanding market positions. In the region, small enterprises produce 59 per cent of industrial output, medium-sized 27 per cent, while the larger corporations have a 14 per cent share.

On the trade front, exporters are gloomy, holding out little hope of the Government meeting its \$12.5bn export target this year.

The export decline has come about because foreign exchange depreciation lags behind inflation, reducing both competitiveness and margins, and from continuing problems in important Middle East markets, especially Iraq, say the traders.

On the other hand, eastern Europe is also short of cash, and the Soviet Union has its own hard-currency difficulties, although Turkey has provided extensive credit lines. The EC, as always for Turkish exporters, especially for textiles, is constricted by quotas set in Brussels.

Jim Bodgener

## THE BANKING SECTOR

## The rim of the hub

FOREIGN BANKS crowding into Izmir over the past two years hoped to emulate their earlier successes in Istanbul in the early 1980s by carving up the lucrative foreign exchange market.

The difference in Izmir was that most business was already shared between the native banks. They were largely controlled by the city's patrician ownership of industry and commerce who had long established accounts with them.

The present tight markets in the big city, where spreads have been pared by competition and the depreciation of the lira relative to inflation, have been replicated in its Aegean cousin. At present, 12 foreign institutions are predicted to be facing a falling off of exports. With insufficient clients, competition is cut-throat.

Since Izmir had long been home to traders in tobacco, cotton and other traditional agricultural produce, the native banks knew the international ropes. There was no long learning process to catch up on the small foreign interlopers, as there was in Istanbul.

Turkish banks on the other hand, whether national or international, can rely on Turkish lira (TL) financing through extensive branch net-

works, and laterally, the burgeoning consumer credit market.

Yet while the foreigners have moved in, the two main native banks are moving their headquarters to Istanbul, still the country's financial and commercial hub.

The first to go, in October 1989, was Tutanbank, subsidiary of the Yasar group. The move has paid off, according to the group's vice president for economic relations, Mr Gazi Ercel.

Credits almost tripled, greatly easing the burden of over-liquidity that Tutanbank, like most other domestic retail institutions, had taken on during fierce competition for deposits when interest rates were freed in the autumn of 1988. The bank had profits in 1989 of about TL5bn on credits of TL17bn and total deposits of TL15bn.

"But we will not stop our emphasis on the Aegean region, where we have a very good customer base," says Mr Ercel. "Our aim is to increase our transactions on the asset and liability side, attract funds, and distribute them in the Aegean area." But not to Yasar group companies, Mr Ercel is careful to stress - they can only look to the bank as a

lender of last resort, if other creditors fall down, or if trading finance is urgently required. At the end of 1989, the total exposure of Tutanbank to other Yasar Group concerns had been reduced to TL9.4bn from TL17bn in 1988.

Quite apart from corporate finance, Tutanbank sees a lot of opportunities in the relative affluent Aegean region for expanded consumer credit services, says Mr Ercel. Another area is the growing demand for equity through the Istanbul stock exchange, where Tutanbank's securities department will stay in Izmir rather than move to Istanbul. It will be to the fore in Izmir providing financing for tobacco and other agricultural producers.

The second of Izmir's native banks, Egebank, is also shifting its headquarters to Istanbul. This follows the purchase of the majority of its shares for about \$10m by Mr Hüseyin Bayraktar, an entrepreneur from Kayseri in central Anatolia who made much of his fortune through real estate development in Istanbul. He is noted for the Galleria shopping mall complex at Ataköy. Mr Bayraktar has plans for a similar development in Izmir.

Control over the bank had been disputed by two sons of the leading Ozakat family, before they decided to settle their differences by selling up. However, sizeable stakes in the institution's capital remain with several of Izmir's other leading patrician dynasties. Egebank's main business in Izmir, 60-80 per cent of its transactions, has always been in the sphere of international trade financing. Now, however, the emphasis in Turkish exports has shifted away from agriculture to industrial products - and Istanbul, says a senior bank executive.

On the other hand, like Tutanbank, the institution intends not to lose sight of its small depositors along the Aegean. Though it has recently opened two branches in Istanbul, more than half of its 22 branches are in Izmir.



Pinar Et: Turkey's first meat production plant still seen as a burden for Yasar

## YASAR

## Facing a meaty problem

IZMIR'S main industrial conglomerate is Yasar Holdings, which aptly relies on both the Aegean's traditional agricultural strengths, and modern industry. The company is looking into the next decade with renewed vigour after coming out of a troubled period in the second half of the 1980s.

The group has two basic lines, one using chemicals and metals such as paints, fertilisers, tin cans, paper, and steam boilers, and on the other side, agro-industry. Group sales turnover in 1989 was about TL1,500bn of which \$165m worth was exported. Pre-tax profits amounted to TL1.6bn.

However, Yasar is still carrying the burden of an investment in a slaughterhouse facility in the mid-1980s alongside Pinar Et, its meat packing subsidiary, which in 1989 produced 786 tonnes of frozen products and 743 tonnes of rendered products.

Yasar thought it would not have to compete against a municipality slaughterhouse which was expected to be closed down due to its polluting and unhygienic location at the end of Izmir bay. But the municipality's operation is still operating, and will continue when a replacement facility is completed on a different site.

The group is confident that it can overcome this hurdle, and that there is sufficient demand, if properly tapped in the Aegean region, for both the Yasar and municipality slaughterhouses, says Mr Mustafa Güclü, its vice-president for finance and foreign trade.

There is a large potential for meat products if properly packaged and marketed throughout Turkey. To this end it has hired the Union International Consultants, a Vestey subsidiary based in the UK, he adds.

Bankers say the group has a sound financial structure and is in far better shape this year having sold assets such as the Altin Yunus tourist complex in Marmaris. Last year, it also resolved a long-running dispute with its brewing partner, Denmark's Tuborg.

What Turkish industry lacked in the 1980s were sound company structures, says Mr Güclü. He says for a group of Yasar's size, a new investment has to be in the order of \$40m to obtain the right economies of scale. Yasar intends to obtain a better place in the Istanbul stock market, and may market shares abroad.

JB

# The Vestel Success Story

Vestel...  
A technological wizard  
on the cutting edge  
of electronics.

Vestel...  
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## IZMIR &amp; THE AEGEAN 3



Gypsy weaving carpets and bags in the grounds of the castle on Mount Pagos

## Cotton production and the textile industry

## Cheaper foreign yarn worries traders

THE AEGEAN region is the original cotton growing heartland of Turkey's dominant textile sector, which last year accounted for roughly one-third of exports. Pamuk Mensucat, Tarsis and Sotus head the industry nationwide.

This year's regional raw cotton production is expected to be around 330,000 tonnes, although nationwide output will probably fall again as growers have planted less because of lower prices and competition from imports. The Aegean staple is of better quality than others grown in Turkey, mainly in the Antalya and Cukurova plains, but not quite as good as in Egyptian fibres.

Though most if not all cotton produced in Turkey is purchased and used locally, there are likely to be considerable surpluses as irrigated cotton growing spreads over the vast flatlands under the south-east Anatolian development programme later in the 1990s.

The EC quota system is a long-standing gripe for Turkish textile traders with their high turnovers and low margins. This grievance was heightened by the phasing out of export tax rebates last year. "If there were no quotas, we'd be able to export five times as much," says Mr Oktay Erol Pulcuoglu, the proprietor of May Tekstil on Manisa's industrial estate.

The company is typical of the medium-size textile company common in the Aegean with an annual turnover of about TL35bn. It makes T-shirts, sweatshirts, dresses, underwear, all 100 per cent cotton readywear - the kinds that attract the highest EC quotas. Even so, last year the company moved into a newer, larger factory on Manisa estate. The company employs about 150 seamstresses on a large, open plan production floor.

About 90 per cent of the company's exports go to West Germany with the UK and Austria taking most of the remainder. East European and Soviet mar-

kets will not replace the EC for May Tekstil, says Mr Pulcuoglu - there is no market for more expensive boutique products which require labour intensive methods.

Eastern bloc markets want classical fashion lines which involve greater automation. Indeed, much of the factory's output is ordered by European fashion houses which provide the designs and patterns, although May does have a small design department.

In general, the Turkish textile industry is moving towards higher value-added products, through the manufacture of readywear for example. The gains are obvious - raw cotton sells for between \$1.8-\$2.2 per kilo, cotton-yarn at about \$3-\$4 per kilo. But in terms of value-added for the higher end of the textile market, factors not percentages of total primary costs are the yardstick.

Turkish suppliers face increasing competition in Europe for cotton yarn from India and Pakistan with their lower production costs. Since last year growers and textile manufacturers have suffered from cheap foreign competition following liberalisation of cotton imports. Unfortunately for many companies which had concentrated on spinning, cotton yarn is the most vulnerable of domestic textile manufactures to foreign competition.

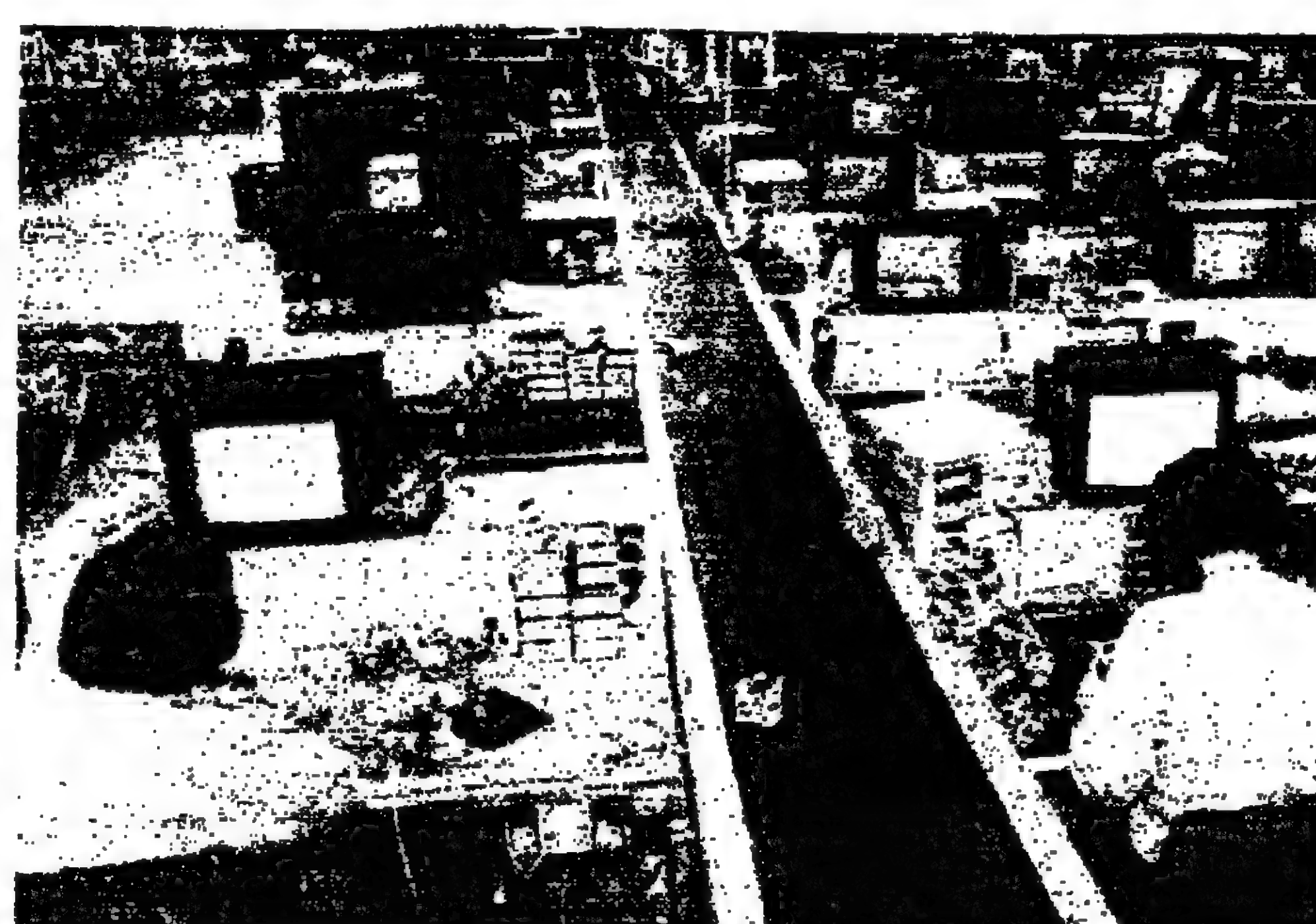
However, by balancing costs and prices, adequate pickings can still be won from cotton-yarn production, says Mr Ahmet Cetinbudaklar, the general manager of the Tarsis agricultural co-operative, its members grow about one-third of the regional crop, and it makes about 150,000 tonnes annually of cotton yarn, of which about 100,000 tonnes are exported.

Mr Herve Giraud, owner of Pamuk Mensucat, is considering the import of cotton yarn and grey cloth from Pakistan at up to one-third of the price of local products following last year's imports liberalisation. The company was founded in

1914, when it was called the Smyrna Cotton Manufacturers. The plant is Turkey's second oldest and one of the country's largest. It has a fabric output of 30m metres a year, half of which, mostly bed-linen, is made-up, and the rest printed.

Turkey can still compete with Asian and Far Eastern producers where value-added is concerned in printed fabrics, says Mr Giraud. It also has a quicker delivery response to the main markets in Europe.

Jim Bodgener



The Vestel plant at Manisa, which is part of Polly Peck International

## Jim Bodgener looks at the Manisa industrial park

## An estate to match the best in the West

These include Vestel, an electronics, hi-fi and television assembler owned by the UK's Polly Peck International and controlled by Mr Asil Nadir, the Turkish Cypriot entrepreneur, and Raks a video and audio tape maker.

Both companies have a considerable export volume in supplying other companies on an original equipment manufacturer (OEM) basis. Vestel, in particular, is vertically integrating with other electronics concerns in the Polly Peck group. It expanded in January this year with the purchase of Sansul in Japan. A move which is seen as a first step on the international acquisition trail for PPI.

About half of the Vestel plant's annual exports - which comprise 70 per cent of the company's total turnover estimated at TL800bn for the current financial year - come in the form of OEM components to sister companies in

the second half of this year see the label made in Turkey embellished on the unit, it will

## The estate has meant full employment in Manisa

have come from Vestel in Manisa.

Vestel will supply hi-fi units to be sold under the Sansul name in Japan, alongside Sansul's own high quality equipment, while the same will hap-

pen vice-versa in Turkey with Sansul's brand name inflating the price of the Vestel surrogate. Profit margins on the domestic product are expected to reach 20-25 per cent. It is not surprising that the PPI annual report for 1989 notes that the holding company wholeheartedly supports the inclusion of acquired brands in company balance sheets.

Vestel is moving into refrigerator production with six different models. This is in addition to its mini-washing machines, and micro-wave

ovens. For a long time, the domestic refrigerator market has been dominated by Aorelik, a Koc Group subsidiary, and Profilo - now they will have to pull up their technological socks. Vestel is aiming for an annual production in its first phase of 150,000 units - a 20-25 per cent market share.

Like Vestel, Raks is a modern, state-of-the-art complex with a product matching those of its competitors which include TDK, Sony and Fujit. It is the domestic market leader. Like Vestel many of its products, assembled cassettes or tape, are resold by manufacturers under their own brand labels - though Raks has penetrated the Japanese market under its own flag.

At the same time, Raks makes almost every component of its products at its Manisa plant, one of the largest audio and video tape factories in the world. It imposes strict quality control on all phases of manufacturing and assembly, from measurement tolerances to tape longevity. As a sideline, it has a high-speed audio dubbing facility, used mostly for duplicating domestic music.

Vestel and Raks have achieved a mix suited to local conditions of high technology with labour intensive methods. An added attraction of Manisa over Istanbul is lower wage and salary levels - monthly wages for unskilled to semi-skilled workers range between TL300,000 and TL1.5m (\$114 - \$570), depending on the industry and sector. At Vestel, for example, the average worker wage is TL500,000 (\$190).

On the other hand, with 12,000 workers the estate has meant full employment in Manisa, a town of 150,000, compared with the high under and unemployment which characterises most other urban areas in Turkey. In fact, there are likely to be severe labour shortages once the addition to the estate comes into its own. But the estate authorities are undaunted, with plans for a free trade zone to follow the second stage completion.

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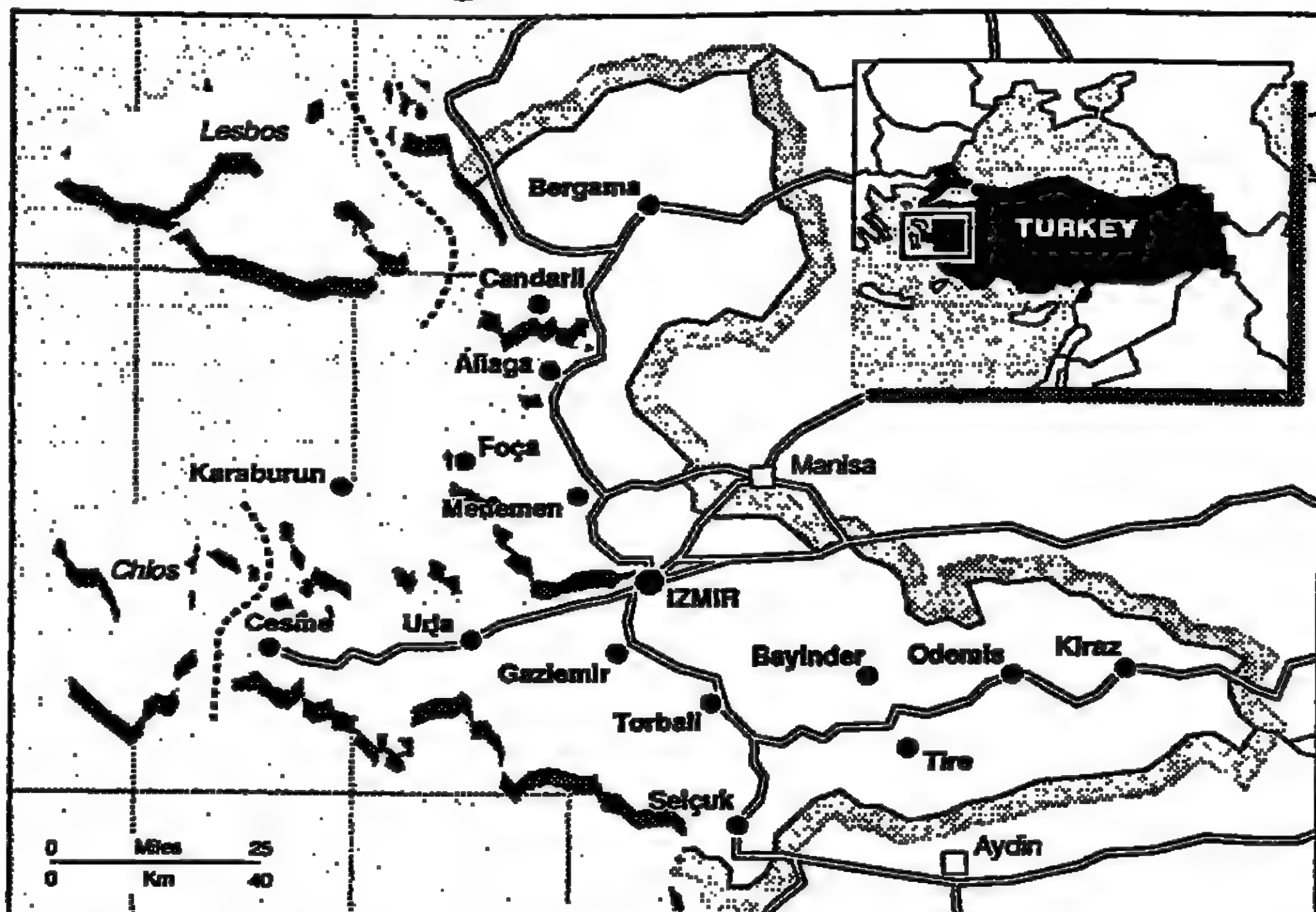
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## IZMIR &amp; THE AEGEAN 4

The tourist industry is taking stock as the number of visitors levels off, says Jim Bodgener

## Holiday trend shifts toward higher quality



TOURISM DEMAND in the Aegean region has levelled off over the past two years as the comparatively undeveloped south has become more fashionable. But the numbers of visitors has not fallen away, perhaps indicating a maturity in the market, say tour operators and government officials.

"In advertisements abroad, the south is called the Turkish Riviera - so naturally it has become more fashionable," says a tourism ministry official. But there are still several months of the season left.

Last year, 498,045 tourists visited the Aegean area using the ports and airports around Izmir as their points of entry - the completion of Adnan Menderes international airport in 1987 greatly increased the city's accessibility. In the period January to May this year, 128,000 people arrived, marginally more than in the same period of 1989.

The Aegean coast has been a touristic destination far longer than the south, with its famed ruins of antiquity at places such as Ephesus and Pergamum. The south is well-endowed with historical remains, but these have not been so well publicised.

Tourists to the south are

overwhelmingly on package tours seeking sun, sand and sea, whereas the Aegean has a more leavened mix including individual travellers seeking something more than sunbathing and discos. The largest number of tourists by origin coming to Izmir and its environs are French, followed by Germans and then Britons. West Germans, traditionally the big spenders, now prefer the south.

However, much of the downturn this year is due to a falling away in UK tourists, by as much as 10 per cent on last year, which was down from the high intake in 1988. The cheaper Aegean coast is more popular with Britons, who in the past have not looked for such a high degree of accommodation as in the south, and have been satisfied with swimming pools rather than beaches, say travel industry sources.

As a result, hoteliers building in places such as Bodrum and Marmaris built one-star, basic accommodation. Now, however, the trend is towards a mix with the staple of young UK visitors, more affluent middle-aged people, and families, who want something better, according to Mr Umit Ulug of

Anba Tur, the leading Turkish agent dealing with UK tour operators in Izmir. Anba handles much of the British influx each year into the Aegean, through leading tour operators such as Thomson, ILG(Intasun) and Red Wing, placing their customers with around 350 establishments. He says that UK tour operators sell Aegean resorts more than those around the Gulf of Antalya in the Mediterranean.

In addition, higher mortgage rates, warmer weather and frustration at long delays in overcrowded airports have

deterred many Britons, says Mr Ulug. The decline has not been compensated by an increase in Dutch and Scandinavian visitors.

However, he points out that a subsidiary of the British Airports Authority is leading a consortium building a charter airport near Bodrum, which should make Turkey far more attractive by decreasing transfer times, not to mention cutting operating costs and therefore prices.

On the other hand, the French prefer the club scene - there are two Club Méditerranée establishments on the

Aegean coast, at Foca and at Kusadasi.

Some critics say prices are too high, but in the main they have increased little compared with 1989 in spite of high inflation of 64.1 per cent in the 12 months to the end of May. Tour operators and hotel owners can hold down price levels because much of their operations are conducted in foreign exchange. But at the same time, lira depreciation has lagged far behind inflation, with a consequent loss differential in local costs to add to overheads.

When depreciation was at a

lucrative distance ahead of inflation, hotel owners and tour operators could carry the costs of inefficiencies in transport and accommodation. Unfortunately that also led to the image of tourism as the latest foreign exchange el Dorado, and companies piled pell mell into the sector without seriously planning or building up expertise for their projects.

The result, more prevalent on the southern Mediterranean than the Aegean littoral, was a plethora of completed or nearly finished hotels and holiday villages owned by undercapitalised companies without the

The 25 storey Hilton Hotel with Atatürk Square in foreground

funds to attract foreign know-how or the expertise in running the projects themselves.

Construction of accommodation also outstripped demand, with the result that many hotels are half empty. Today, the number of beds licensed by the Tourism Ministry in the Izmir region totals 10,000, with another 15,000 controlled and inspected by the municipalities. But 20,000 more licensed beds are under construction, indicating the scale of the problem.

"We went through a frightening period because of ugly construction," says Mr Mete Polat of Yedigöller Travel Agency. Marmaris was one of the worst examples of overdevelopment and its adverse effects on the environment. But the Government has slapped a freeze on fresh planning permissions.

Another perhaps more pressing deficiency in the tourism sector is the lack of trained personnel, which has threatened to give the industry a poor image compared with longer-established rivals in the eastern Mediterranean. A pioneering scheme to fill this gap has started at Izmir's Dokuz Eylül University, through which theory is mixed with

practice, where only theory was taught before.

So far the numbers of students seconded out to tourism establishments are small with some 120 due next year. But in two years time, a complex doubling as a winter school and summer holiday village will be completed on the Çeşme peninsula. Then the annual intake will be about 500 students annually, according to Mr Ergun Gökse, the professor running the course, and also president of the Aegean Tour Operators' Association, and owner of Egeyat, travel agency.

Another problem requiring urgent remedial action is inadequate water and sewage services, which in some cases means untreated sewage fouling popular bathing beaches. Kusadasi is a case in point, being highly overdeveloped. "We have to take action now," says Mr Gökse. "The Turkish bath is famous round the world; we don't want a reputation of being dirty Turks. We have to clean up." And that is doubly important with the imminent introduction of the single market in 1992, and the pressures both pecuniary and qualitative to spend holidays within rather than outside the European Community.

These are difficult times for the tobacco companies

## Brokers take merger path

TOBACCO traders in Izmir have traditionally dominated the country's exports of oriental tobacco. But the Aegean region's tobacco merchants have passed through three difficult years with the largest companies satisfied to break even in 1990.

The leading broker, Karagozolu, has formed a venture with Universal Taprak Tutun, subsidiary of the US company. But smaller companies may have to merge or go under, say executives. Other companies have hedged by diversifying away from tobacco trading.

The tobacco brokers' problems stem not from the success of anti-smoking campaigns across the globe, but domestic economic tribulations, particularly the high rate of inflation, and lower lira depreciation, says Dr Ekte Kish, a member of one of the city's largest and longest established tobacco merchants.

There is a full year of manipulation and other processing between the purchase of the crop from growers, and delivery to overseas buyers, and the merchants have to finance this 12-month gap themselves, says Dr Kish.

On the other hand, the Turkish tobacco sector could benefit in the next decade from European Community regulations which aim to prevent the manufacture of black tobacco cigarettes.

rettes such as the famous French Gauloise and Gitanes brands because of their high nicotine contents.

Turkey dominates world wide production of oriental tobacco, growing far more than other countries, including Greece, Yugoslavia and Bulgaria.

About 40,000 families depend on the crop in Turkey, with yields varying from 400 kilos per dunum (a Turkish measurement equivalent to 940 square metres) on good land in plains and valleys, to 50 kilos per dunum on relatively infertile hillsides.

Not unsurprisingly, the growers form an important political constituency frequently at odds with the prices fixed by the Government.

Turkey's blonde oriental tobacco is relatively low in nicotine and tar, and is usually blended with stronger tobaccos in US and European cigarettes, in mixtures of 15 per cent and 20-25 per cent respectively.

Izmir has no bourse as such, or auction floor. Export prices are fixed according to the international markets by the Government, and the traders buy and sell to order. Hagglng is about quality.

The Aegean region's normal crop is about 120,000-130,000 tonnes. The remainder of the country's total exportable output of about 180,000 tonnes comes from the Samsun region on the northern, Black Sea coast, from around Bursa and the Marmara sea.

The 1989 crop was good, but the 1990 crop is of poor quality due to the drought, though much larger in volume than usual at around 160,000 tonnes. Though the south-east grows a further 25,000-30,000 tonnes it is of inferior quality and is consumed domestically.

Attempts to grow Burley and Virginia tobaccos have met varying success and manufacturers have not yet produced tobacco that can compete viably with imports.

On the other hand, only the state alcohol and tobacco monopoly TEKEL is permitted to import raw tobacco. This may change should Philip Morris, the US company fully com-

mit itself to the completion of a TEKEL factory at Cigli, outside Izmir, for production of its Marlboro brand.

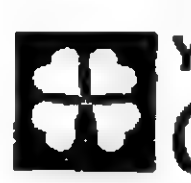
The TEKEL factory is one of several built in the 1970s as part of a grandiose initiative that failed to turn Turkey into a world leader in cigarette production. Other cigarette multinational companies are talking to the Government about local manufacturing projects for other TEKEL factories which were not completed in the 1970s.

Philip Morris, with a total capital investment of about \$200m, is aiming at consolidating its considerable share of Turkish cigarette consumption when production starts in 1993. Total cigarette sales in Turkey last year were worth TL74bn, of which Philip Morris brands combined have a 37 per cent share, with Marlboro taking 10.8 per cent.

The company expects demand will continue rising on a trend set over the past few years of 2.5 per cent annually. As yet, the anti-smoking drive in the West has failed to make much headway, although some time this year, the Government is expected to debate a new law banning smoking in public places.

**Total cigarette sales in Turkey last year were worth TL74bn**

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## Housing and the ERM

A HIGHLY distorted British housing market provided a potent transmission mechanism in the 1980s for the wider failures of the Government's macro-economic policy. As Britain moves closer to entry into the exchange rate mechanism (ERM) of the European Monetary System there is a serious risk that it will do so again in the 1990s. Yet the policy debate in Whitehall is remarkably short on workable solutions. A greater sense of urgency is called for.

The diagnosis is straightforward enough. Asset price inflation in Britain in the 1980s was heavily concentrated in housing, largely reflecting the impact of financial liberalisation on a market heavily distorted by fiscal incentives for home ownership and planning controls on supply. The shift from a system whereby credit was rationed to one where home owners could suddenly release the wealth, or equity, in their homes made property a more liquid asset and shook the spending power of house-holders. The impact of this shock on demand can be seen in the re-emergence of inflationary pressure and current account deficits.

## Appetite curbed

For the moment high interest rates have curbed the propensity of private individuals to release equity from their homes, though at a high cost to the tradeable goods sector in general and small business in particular. But as John Muellbauer of Nuffield College, Oxford, points out in a new paper for the Institute of Public Policy Research, there is still a huge overhang of potential spending power which bears comparison with Germany in 1949 and parts of eastern Europe and Latin America over the past year. According to the Central Statistical Office the value of the owner-occupied housing stock in 1988 stood at £364bn. Yet despite liberalisation the related housing loans stood at only £224bn.

Already the currency markets are looking for a decline in sterling interest rates on ERM entry, on the assumption that full membership of the system will bring about a progressive move to interest rate convergence with other Com-

munity countries. With inflationary psychology unbroken by modest falls in nominal house prices this year, the Chancellor faces a difficult problem in curbing future equity withdrawal.

## Debate hampered

The policy debate is severely hampered as a result of the Prime Minister's known antipathy for the removal of mortgage interest relief and political investment in the poll tax. There is also a conviction in Whitehall and Threadneedle Street that credit controls would not work. While this is almost certainly true in wholesale markets, it is more questionable when it comes to the mortgage market. Moves to make the rights of mortgage lenders over the borrower's property unenforceable in law where the loan exceeds 85 or 95 per cent of value might usefully reinforce prudent banking practice without necessarily involving high political costs.

But the key to housing reform must lie in eliminating the fiscal bias in the system. And Mr Muellbauer is surely right that in the long run the way to encourage a more efficient use of land and property is to return to a property tax on imputed rents from land. But such long-term proposals do not address the immediate problem where rent lending is. Here reform, as opposed to abolition, of mortgage interest relief is relevant and not necessarily beyond the political pale. First time buyers simply do not benefit from the £7bn-worth of tax relief that now inflates the price of houses relative to incomes. The Government's reluctance to educate the electorate in this simple home truth is a signal failure of nerve. An immediate switch to the German-style practice whereby the relief is limited to 10 years would, says Muellbauer, reduce the subsidy by £4bn, equivalent to 2p off the standard rate of income tax.

But if the Prime Minister's political instincts on mortgage relief prevail, some form of capital gains tax on equity withdrawal, however distorting, is the only alternative. How ironic that if her economic instincts had prevailed, the ERM problem would not exist.

## Change of heart on Cambodia

BETTER late than never. It has taken the United States 15 years to overcome the Vietnamphobia from which it has suffered since its defeat and withdrawal in 1975.

The announcement in Paris yesterday by Mr James Baker, US Secretary of State, that the US is now prepared to open a dialogue with the Vietnamese on how best to prevent a return of the murderous Khmer Rouge to power in Cambodia is as welcome as it is overdue. It is essential that the dialogue begins quickly, before the Khmer Rouge makes further military advances.

It would also be helpful to peace prospects in Cambodia if those US allies which have trailed along on the coast-tails of misjudged State Department policy for so long were now to cure themselves quickly of their own Vietnamphobia. Britain is the most notable example.

The breakthrough on the US position came in talks between Mr Baker and Mr Eduard Shevardnadze, his Soviet counterpart. Elsewhere in Paris, a most suitable venue as it was the city in which the end of the Vietnam war was negotiated all those years ago, officials from the five permanent members of the UN Security Council were having a much harder time finding a way for the UN to take over temporary administration of Cambodia's pending elections.

## Policy change

It is here that the change of US policy could and should become critical. The four warring factions are the enfeebled Phnom Penh government of Hun Sen, installed by the Vietnamese who invaded in 1978 to topple the Khmer Rouge regime and stayed until last September; the Khmer Rouge itself, supported by China and to some extent by Thailand; and two other, weaker opposition groups under Prince Norodom Sihanouk and Son Sann, supported by the West with funds and arms, most of which find their way to the dominant Khmer Rouge. A Khmer Rouge representative, nominally appointed by the three opposition groups in coalition, occupies Cambodia's seat at the UN. By allowing him to do so, the international community

affords respectability, without even the excuse of its being still in effective control of the territory, to a group which during the four years when it was in power was responsible for the deaths of at least 1m of the 7m Cambodian citizens.

The US policy switch gives the Phnom Penh government a chance to gain more international acceptance and the other powers involved a chance to isolate the Khmer Rouge by drawing its partners away from it. Without arms and other support from outside, the Khmer Rouge would wither. The remaining three groups could probably then agree.

## US dialogue

The US dialogue with Hanoi will focus on Cambodia although logically must later lead to a resumption of diplomatic relations and a return of Vietnam and Cambodia to the international community, with access to loans and aid. But talks alone will not be enough to resolve the Cambodia tragedy. Pressure must be exerted on China to drop the Khmer Rouge. This becomes a real possibility; until now the US's hostility to Vietnam and anyone connected with it has made it refuse to put pressure on China. But now is the time to test the argument used by the US when it renewed China's most-favoured-nation status: that when not isolated China is more open to influence on matters from human rights to foreign policy.

Japan's help can be enlisted: Japan is lifting sanctions on loans to China and, in return, is at least entitled to a hearing on the subject of the Khmer Rouge. Thailand, too, must be encouraged to stiffen its resolve and make it more difficult for the Khmer Rouge to operate from bases on Thai territory.

There is much still to do and not much time. The Cambodian government looks daily more fragile economically and militarily. Once the Khmer Rouge achieves power it will be all but impossible to dislodge. The plan for a temporary UN administration remains stuck. The US policy change is therefore only a first step, but a vital one. It should be followed up quickly.

Mr Peter Bonfield, the chief executive of ICL, the largest independent British computer manufacturer, raised a chuckle from his colleagues on Tuesday night during a lecture in the House of Commons about the future of Europe's information technology industry.

"Two weeks is a long time in the information technology industry," he remarked. It was a joke for insiders; only senior executives at ICL knew what would happen in the following two weeks.

What was in store was a move which would result in a significant restructuring of the European computer industry.

For it is almost certain that Fujitsu, the largest Japanese computer group, is set to take a majority stake in ICL, the most audacious move yet by a Japanese computer group into Europe. The deal, which could be worth about \$850m, would dwarf NEC's 15 per cent stake in Bull HN in France, its joint venture with Honeywell and Bull.

Rumours that Fujitsu might take a minority stake in ICL - the two have worked together since the early 1980s - have surfaced with regularity since 1983, after the Japanese company started supplying ICL with the semi-conductors which are the technological heart of the British group's mainframes.

The rumours might have prepared analysts, customers and competitors for a potential link between the two companies. However the scale and ambition of the proposed deal is among the most daring ambitious yet in the industry.

Fujitsu's assault on the European computer market through a majority

## The British computer industry will never be the same again. It is in the midst of a fundamental restructuring, in which ownership of a large section of the industry will pass into foreign hands

holding in ICL, Europe's most profitable computer manufacturer, would make the deal important enough. But the ramifications could spread well beyond computers into the rest of the European electronics industry.

STC, which is ICL's parent, and Fujitsu, have wide interests in telecommunications. By cementing their relationship in computers the two companies could be laying the foundations for a more far reaching alliance in electronics.

The British computer industry, which developed the first computer during the Second World War, will never be the same again. It is in the midst of a fundamental restructuring, in which ownership of large sections of the industry will pass into foreign hands.

The deal between Fujitsu and ICL, which follows Mitsubishi's purchase of Apricot's computer manufacturing division, comes as the UK software industry is in upheaval.

Hoskyns, one of the leading British computer services company's owned by the General Electric Company and Siemens of West Germany, yesterday agreed to sell a 68.5 per cent stake to Cap Gemini Societe, the acquisitive French software group which also has a hostile stake in the Sena Group, the Anglo-French software house formed two years ago.

A recent profits warning has cast a cloud over Logica, the UK software industry leader, while SD-Scicon's future is uncertain, with British Aerospace considering selling its 25 per cent stake.

## The open purse strings

The game that is probably the favourite of businessmen the world over has one of its annual high spots today - the start of the 115th Open Golf Championship at the Royal and Ancient Club in St Andrews. Although the Open is far from being the world's richest tournament, it still sends reasonable pay for four days work - total prize money on offer is \$285,000 with \$25,000 for the winner. And after an uneasy period in which it seemed that many of the top American players were willing to miss the event, this year's field contains 46 of the world's top 50 golfers.

A cursory glance through the roster of past Champions reveals nearly all of the names one would expect - Jack Nicklaus, Gary Player, Tom Watson, Tony Jacklin and from earlier days Bobby Jones and Walter Hagen. Rarely has the tournament been won by a player who has not gone on to achieve other major tournament victories. But none of the modern greats have yet managed to top the six victories achieved by Harry Vardon between 1896 and 1914.

This year the homegrown Nick Faldo is, unsurprisingly the favourite at odds of 7-1, with Greg Norman next best in the odds at 9-1. But those tempted to risk a wager might consider backing the two times US Open winner Curtis Strange at odds of 16-1. After all, he does hold the course record.

## The 19th hole

Great sporting events have now become important occasions for corporate entertainment and the Open is no exception. The Bank of Scotland, for example, has a hospitality chalet on site which treats 80 guests to lunch each day. ICI has a corner of a large marquee and has been entertaining

Charles Leadbeater on a daring move which looks set to cause ripples throughout the European computer industry

## Japan gets to the heart of ICL

This rash of international transactions would be capped by the deal between ICL and Fujitsu.

It could provoke a political row in the UK, with the opposition alleging that Britain's technological heritage and future was being sold out.

At the very least it will raise eyebrows at the European Commission as a signal that Japanese computer makers may be preparing to follow car manufacturers and consumer electronics groups into Europe.

The arrival of a technologically and financially powerful Japanese competitor at the heart of the European electronics industry, would provoke alarm among other computer manufacturers already grappling with sagging profits and rising research and development costs.

That alarm stems from the apparently impeccable logic of the deal. For ICL the main attraction seems to be Fujitsu's technological and financial muscle. ICL's technological agreement with Fujitsu, through which the Japanese group makes semiconductors to British designs for ICL's mainframes, has been essential to keep ICL in the mainframe business.

Senior executives believe that without it the company could not have shouldered the costs of developing new mainframe computers and would have had to merge with another computer manufacturer by the mid 1980s. Although ICL is relatively prosperous by the standards of the computer industry, assets and profits wither very fast in a high technology industry, with rapidly contracting product development cycles.

With the terms of the technology agreement up for renegotiation within the next year the subject of a more permanent link involving a Fujitsu shareholding was bound to surface.

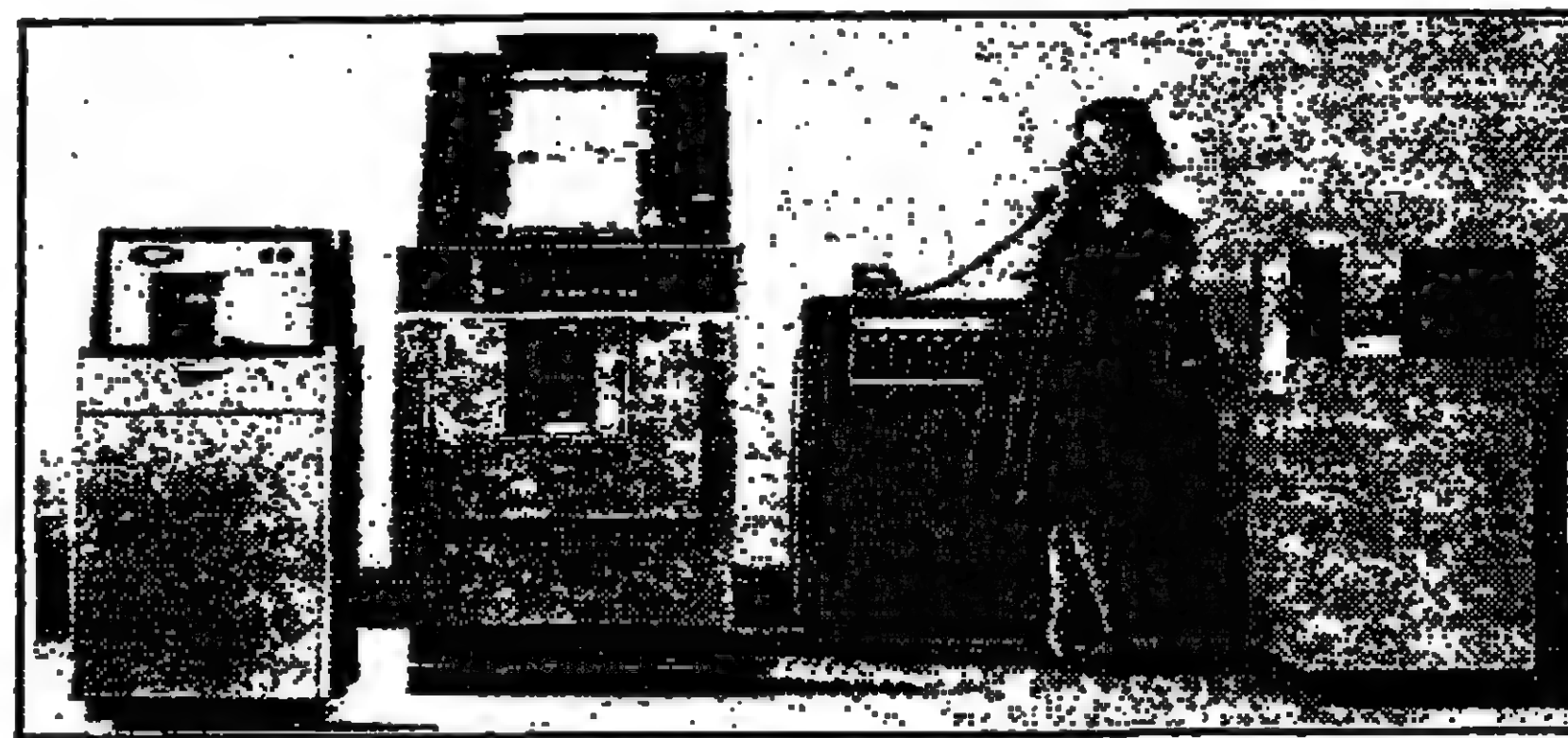
Mr Takuma Yamamoto, the group's president confirmed in May that the company was prepared to take an equity stake if the opportunity arose.

It would make more sense for STC to sell a stake now when ICL is still profitable rather than in a year's time when it too might have been covered by the gloom enveloping the other European producers. With Fujitsu's involvement ICL would be sending a message to its European competitors that it intends to be around for the long term.

The appeal for Fujitsu seems equally obvious. It would be securing the future of an important customer. Through ICL it would gain access to an large installed customer base in the UK, particularly in the public sector, which may consume products other than mainframes.

It would also provide the group with a spring board into the single European market and other sectors, such as ICL's growing business in computer systems for retailers. However, on closer examination the logic of the deal is not as clear cut as it might seem.

The technological pull between the two companies is so powerful it hardly needs to be strengthened by a Fujitsu shareholding. It is most unlikely that ICL could have turned to another supplier for its semicon-

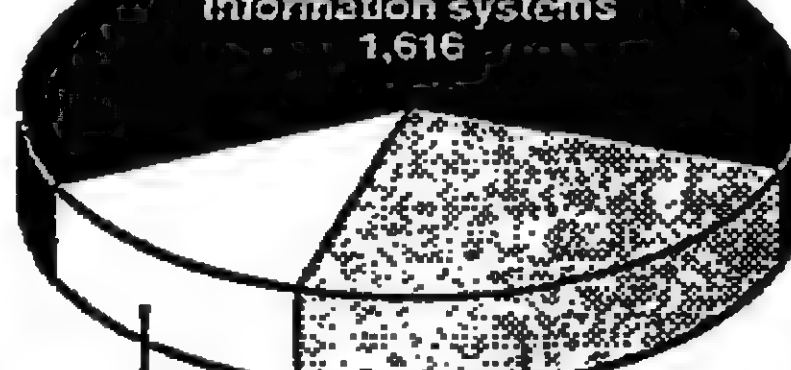


The 1988 ICL 40 range of small-card computers was a re-styled version of the Powers Forti machine introduced in 1950, which was based on the original 1932 Powers Four

- 1907 - British Tabulating Machine Co formed, eventually to become IGT
- 1968 - International Computers Ltd formed from IGT and English Electric Computers
- 1972 - Geoffrey Cross appointed managing director to restore morale and profitability
- 1981 - Robb Wilnot, MD, strikes technology agreement with Fujitsu
- 1984 - STC buys ICL, Peter Bonfield appointed MD
- 1990 - ICL launches world's most powerful mainframe based on Fujitsu's technology

## STC Turnover

By activity



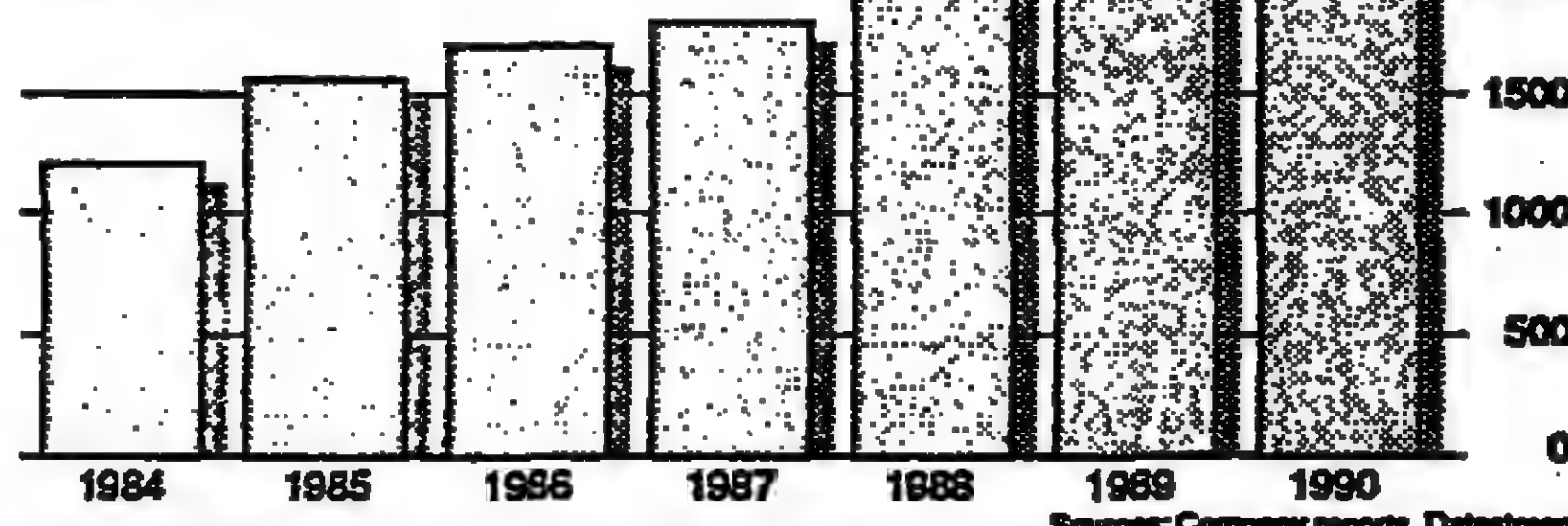
Total 2,607 (All figures 1989 £m)



## Fujitsu

Total sales

Yen billion



ductors. Fujitsu's sales to ICL are worth between £100m and £150m a year. Why should it foot a bill possibly amounting to \$850m to secure that level of business?

Although the technological drive behind the alliance may be powerful, the marketing logic is less compelling. The deal would give Fujitsu a strong position in the UK, but not in continental Europe.

ICL has established some joint ventures around Europe, but it has found it extremely difficult to break into the West German market. Fujitsu is buying into a fledgling European distribution system, but one which is far from complete.

The deal could have drawbacks for customers, particularly in the public sector, react against purchases from a group which is majority owned by a Japanese company. Fujitsu may hope that the deal would make it a European insider. It may just as easily make ICL more of an outsider, raising doubts about the terms of ICL's participation in collaborative European research programmes.

These doubts about the benefits which would flow from a deal prompt some analysts to suggest that it may extend into other areas. The first area of wider collaboration could be in computer peripherals. ICL could provide a marketing channel and assem-

bly site for Fujitsu printers and disc drives. The collaboration could include smaller mid range systems as well as mainframes.

But the logic might take them beyond that. One intriguing aspect is the way it could affect Fujitsu's relationship with Siemens the West German electronics group. Fujitsu supplies Siemens with super computer technology.

Siemens recently became the largest European computer group after IBM of the US, by taking over Nixdorf, the fallen star of the West German computer industry. Some analysts believe it is possible that Fujitsu could become increasingly central to the shape of the European industry, by forming a bridge between Siemens and ICL.

The other area of collaboration would be telecommunications. Fujitsu like STC has interests in undersea cables, fibre optic cabling and microwave transmission systems. A link would give both companies access to wider markets as well as sharing research and development costs.

This could help STC, which only last month issued a profit warning. Without more financial muscle STC could face a combination of rising research and development costs and sluggish revenues. Some analysts believe that could make it a candidate for an "unbundling" takeover.

A communications factor in any grand alliance between STC and Fujitsu founded on joint ownership of ICL is the 27 per cent stake which Northern Telecom, the Canadian telecommunications group, holds in STC.

One option might be for STC, Fujitsu and Northern Telecom to form a triangular relationship spanning the Far East, Europe and North America. Three other groups will be under pressure to respond to the deal.

First, it will present European policy makers with an awkward dilemma. ICL is an active member of European collaboration schemes such as Esprit and Eureka, which have been explicitly designed to counter Japan's strength in high-technology. Though some US companies, such as IBM, have been admitted to these programmes, Japanese participants have so far been excluded.

The prospect of Fujitsu gaining access to them, even indirectly, would be controversial both with other European companies and with the US, which is increasingly interested in research co-operation with the EC as a way of out-flanking the Japanese.

Second, the deal, in the wake of Siemens' purchase of Nixdorf, would put other European computer manufacturers to respond, probably by seeking their own alliances. Few are in good financial health.

Olivetti recently unveiled a 40 per cent decline in first half pre-tax profits to \$72m, with sharply lower earnings expected for the full year. Norsk Data, the Norwegian group last year reported a loss of \$23.8m, while Group Bull of France report a net loss of FRF 267m for 1989 and Philips' computer division appears to be in disarray. An ICL deal with Fujitsu will set the clock ticking for its European competitors.

Third, the other Japanese computer groups may be stung into a reaction to one of the brashest moves a Japanese computer group has made to internationalise its operations.

It goes well beyond NEC's link with Bull in France. Hitachi sells its mainframes through joint ventures with Olivetti, Siemens, BASF and Electronic Data Systems, the subsidiary of General Motors.

The Japanese computer industry has grown dramatically since its birth in the 1950s. Even 20 years ago they claimed no more than 1 per cent of the world computer market. This year they hold three of the top six places in the world industry.

Fujitsu's move may be a signal how much further the Japanese companies plan to go.

## OBSERVER



"That's a sample of the Older-Neslee line to go with my piece of the Berlin Wall."

customers at the Open for around the last ten years. Standard Life also has a marquee; the Scottish office of National Westminster Bank is entertaining customers each day.

But golf has traditionally played a more everyday role in business. Cynics have believed that the early closing hours of British banks were designed to allow branch managers to complete a full 18 holes before sundown. But the glory days when a bank manager's idea of careful accounting involved filling in his scorecard correctly may be over.

A survey of the four High Street banks found Nat West most prepared to come clean. Managers do play golf with customers but it is "not just a Friday afternoon jaunt. It's very much a part of building the business relationship." Midland said that golf games with customers occur "far less than they used to", adding sternly that "we expect people to be doing business during the hours of business."

Lloyds admitted cautiously that bank managers "still meet customers socially in a variety of ways" but added virtuously that "they are more likely to be found in a factory than on a golfcourse." Barclays took a pragmatic approach. "Our branch managers" the bank said "will go anywhere necessary in a competitive market to pursue business." Even, perhaps, as far as the club bar.

## Reds on green

With more than 30m people now playing golf worldwide and the numbers increasing every year, the Soviet Union is possibly the last country where turf is left untended. As pilgrims began to gather last week at St Andrews, the shrine of so much that is sacred in the game, Robert Trent Jones, the American golf course architect, recalled some

in Scotland where shepherds once struck stones with sticks and where golf remains the birthright of the most humble man and woman.

## Any old iron

The commoners' game golf may be but it is also a remarkable growth industry, worth in the US alone nearly \$25bn a year, in equipment, club fees and course construction. But Britain has recently pulled off a remarkable golf marketing coup.

Swilken, one of Britain's last independent golf club manufacturers, has just converted one of the original propellers from the QEII into 7,500 golf sets, complete with the Cunard colours on the face insert, which sell in the UK for over £1,000 and in Japan can fetch the royal sum of \$2,200. So successful was the project that a second propeller is to be turned into 75,000 traditional St Andrews design hickory handled putters.

Engineers at the first World Scientific Congress of Golf in St Andrews say the properties of the manganese, aluminium and bronze alloy should be similar to those of a conventional club. If they play no better than the malleable brass clubs which John Letters of Glasgow is developing from the brass propeller of the Lusitania, they at least come with happier memories.

## Quick change

Those who attend the Open can test out Royal Bank of Scotland's newest machine, which can convert up to 14 foreign currencies into sterling at the touch of a button. The machine can identify 38 different banknotes and provide instructions in four different languages. Appropriately enough, it was the brainchild of Don Emilio Bojin, chairman of Banco Santander, and father-in-law of Spanish golf star Severiano Ballesteros.

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## ECONOMIC VIEWPOINT

## Goodbye to those budget surpluses

By Samuel Brittan

There are always scare stories at this time of year, saying that the forthcoming public spending round is going to be the toughest ever in order to deter spending ministers.

Reports this time are of excess bids from the spending departments for 1991-92 totalling some £17bn. Yet after today's Cabinet meeting there will be the usual shoddy statement that ministers will try to stick as close as possible to the original planning target.

An interesting shadow exercise by Chris Dillow in the *Nomura Research Institute Quarterly Outlook*, reproduced in the small table, assumes that some £19bn to £20bn of the bids will be granted.

The lion's share will of course go to stop poll taxes rising. (This is a self-inflicted blow which would have been avoided if Mrs Thatcher or her advisers had read Adam Smith — the 200th anniversary of whose death is celebrated this week — on the canons of taxation instead of the doctrines of the Adam Smith Institute.)

Some £3bn for poll tax relief should be disclosed today, should the full spending round be opened.

On the other hand, a reduction of some £3bn in the Contingency Reserve is normal as each financial year is rolled forward. If a further £1bn can be shaved off defence the total increase above previous plans might be held below £7bn.

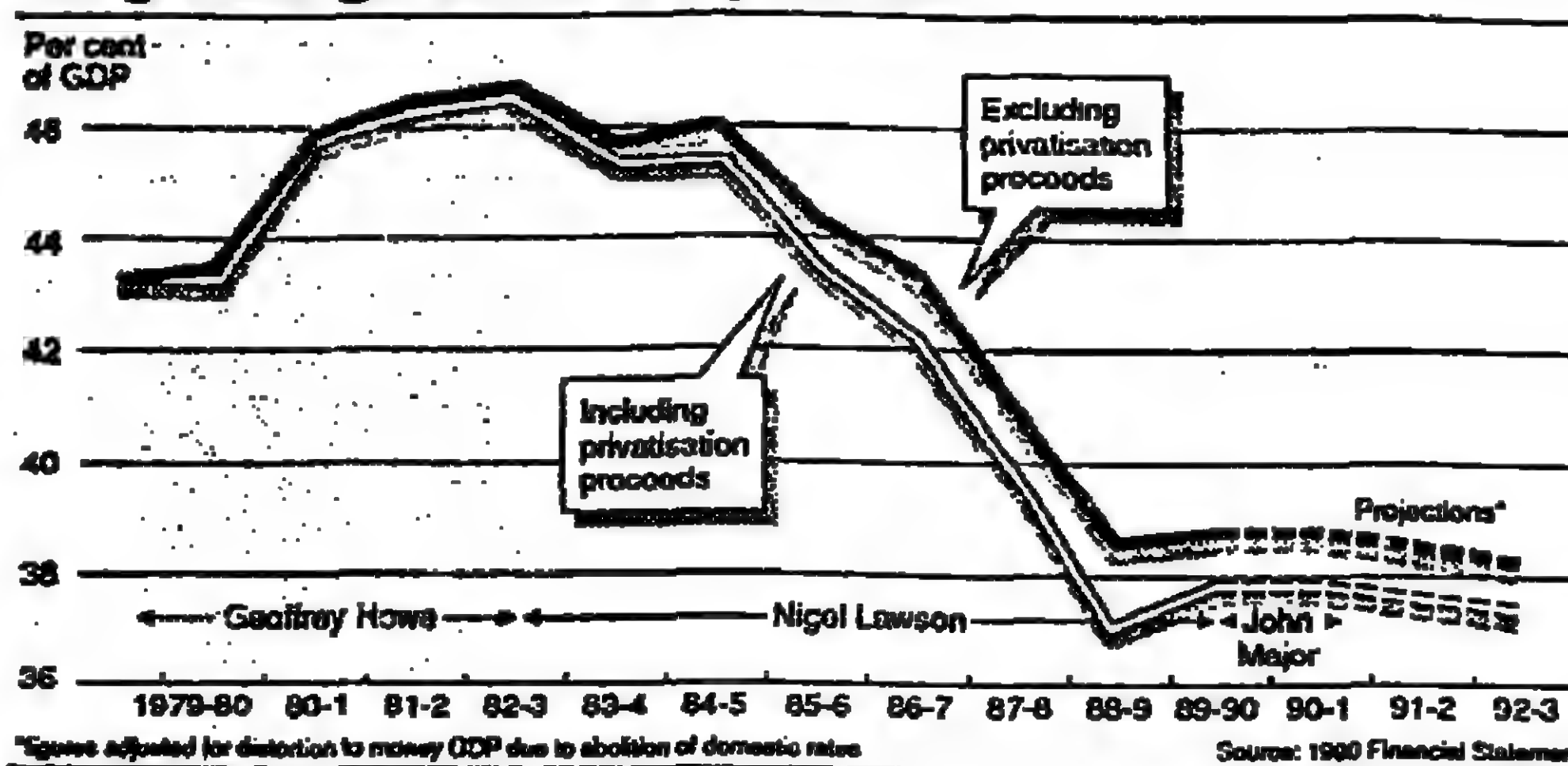
There could be a forecast revenue overshoot of the same order. Thus after all the present alarms we could easily be told this autumn, in line with time-honoured ritual, that the public spending ratio will continue to fall slightly as a proportion of GDP and that the government is on track for a budget surplus in 1991-92.

Yet a degree of disbelief would be justified if instead of looking at the crystal ball we examined the books. Public sector finances, like most other variables, move in waves.

The budget surplus, measured by the Public Sector Debt Repayment (PSDR), peaked nearly two years ago in 1988-89 at £14.5bn. The surplus in the last financial year fell to £7.9bn. Although the Treasury has projected a similar figure for the current 1990-91 financial year, the auguries for achieving it are not good.

Data for the first quarter show a Public Sector Borrowing Requirement of £5.6bn. This is the highest first quarter deficit since 1981. Only a small part of the difference from previous years can be explained by the absence of privatisation receipts so far in 1990-91. Most, but far from all, of the shortfall is due to delays in poll tax pay-

## UK general government expenditure



\*Spices adjusted for distortion to money GDP due to abolition of domestic rates

Source: 1990 Financial Statement

ments and related factors.

A complete flipover into Budget deficit is unlikely this year. But a drop in the surplus to below £5bn — the sum expected from privatisation — is on the cards; and it will be a struggle to avoid a deficit in election year, whenever that is.

In last week's *Economic Viewpoint* I rejected the international establishment view that governments should build up surpluses to add to national savings and to "take some of the load off monetary policy."

Yet one does not have to go to the other extreme.

The UK Budget deficit that avoids a debt trap is something like 1 per cent of GDP — very close to the £5bn of expected annual privatisation receipts.

Despite Treasury accounting conventions these do not

reduce a deficit, but merely finance it. Thus zero, plus a safety margin, is the best ultimate PSBR target; and during a period of inflationary pressure it is at least sensible to run off a Budget surplus pretty slowly.

Some Labour advisers have rediscovered the doctrine that it may be permissible to borrow for capital spending. Unfortunately, the line between current and capital spending cannot bear much weight, especially as most public investment brings an intangible rather than a cash return.

Moreover, if one looks at net public investment after depreciation, it is about zero — a point which the same advisers like to make in other contexts.

There is a case for riding out temporary deficits in recessions; and there could be a real recession next year or soon after if the Government joins the EMS in a serious spirit (still a big if) and if British industry is sluggish in adjusting wage settlements to a strong pound.

We need to remember that recessionary influences hit public sector finances with a delay; and the present fiscal shortfall has nothing to do with them. Despite the erratic June drop, retail sales volume is still rising by 2 per cent per annum and manufacturing output is rising faster. Underlying

inflation is 6.9 per cent and the Treasury has just revived upwards its inflation forecast yet again for both the headline and the underlying rate. So the recession excuse needs to be put into cold storage. The present, or a future, Government will be best placed to ride out a real recession if it starts out from a strong position.

Just as the public sector balance has peaked, the public spending ratio — public expenditure as a percentage of GDP — has probably passed its minimum point. Its long fall came to an end in 1988-89 when it rose by a quarter of a per cent to 39 per cent. The Treasury expects it to stay at this percentage this year (after allowing for distortions to the GDP figures) before declining slightly next year and the year after. But how likely is this projection to be fulfilled with so-called "caring Conservatism" in the ascendant and the economy having to suffer below trend growth to shake inflation from the system?

Public sector balance: first quarter (£bn)

Each privatisation Incl privatisation

1987-88 -3.8 -1.4

1988-89 -1.1 +1.7

1989-90 -1.7 0

1990-91 -4.5 -4.5

Source: Treasury

Possible revisions to 1991-92 spending plans (£bn)

TOTAL INCREASES 9.5

Local Authority Grants 3.8

Social Security 1.5

Borrowing Cash Limits 2.0

Health 1.5

Other 1.5

TOTAL REDUCTIONS -4.0

Defence -1.0

Contingency Reserve -3.0

TOTAL CHANGE 5.5

Source: Nomura

## LETTERS

## Water charges and the polluter pays principle

From Mr Dan Elliott

Sir, Your survey of the Water Industry (July 11) observes that as a result of new European standards for drinking water and the disposal of sewage, combined with insufficient investment in the past, the industry will be investing in excess of £20bn in repairing and improving its infrastructure over the next 10 years. In addition we are told that the Director-General of Water Services (Mr Ian Byatt) believes that customers should be given "sensible price messages" by which to make their consumption decisions.

One wonders, therefore, with the Government committing itself publicly to the polluter pays principle, why Mr Byatt considers that the full cost of all the changes in our water supply system should be passed through into increased water charges?

It seems clear that increased costs in the treatment and disposal of sewage should be passed through to consumers, who are in this case the polluter (with the water service companies acting as their

agent). Such a conclusion, however, cannot apply to the costs of removing nitrates and pesticides from drinking water. These substances have been introduced by agricultural activity, and in line with the stance which is now increasingly being taken on air pollution, that sector should be made to contribute to the cost of removing these substances from our drinking water.

This approach would encourage the development of farming methods which reduce nitrate and pesticide pollution. Ultimately, changed behaviour should show through in lower levels of raw water pollution and hence reduced costs to water companies.

By lumping together all the costs of cleaning drinking water and passing them on to the consumer we may be guilty of producing exactly the sort of inefficient price signals which Mr Byatt wishes to avoid.

Dan Elliott, Senior Consultant, PA Cambridge Economic Consultants, 62-64 Hills Road, Cambridge

## Vice-like squeeze for those on low incomes

From Mr Michael Meacher MP

Sir, You published two letters (July 6) criticising my article on government social security cuts. The first argues the Labour Party's hypocrisy in opposing government cuts in social security. The second denies those cuts have taken place.

Ignoring the obvious contradiction of these views, neither, in fact, holds water. It is the responsibility of the official Opposition to point out deficiencies of government policy. This does not commit it to reversing 10 years of maladministration in one stroke.

Had we been in office during those 10 years, retirement pensions — which have borne the heaviest cuts — would have continued to be linked to earnings; we are pledged to restore that link when we return to office. Surely we are not expected to act retrospectively as the Government of the 1980s?

The argument that there have been no cuts is Orwellian. It is true that social security has not declined as a percentage of gross domestic product in the Thatcher decade. But compared with 1979 there are now 1m more pensioners, almost twice as many unemployed and 60 per cent more income support recipients.

What the apparent stability in spending disguises is the extraordinary levels of cuts I itemised in my article. The price of containing the social security budget has been a vice-like squeeze on pensioners, the unemployed and all those on low incomes.

Michael Meacher, Shadow Secretary for Social Security, House of Commons, Westminster, SW1

## Mom and Pop's customer care

From Mr Jerrold Rosenwasser

Sir, Who is Karen Zagor ("Changing setting for US jewellery," July 5) to dismiss an "estimated" 58,000 US jewellery stores as "small Mom-and-Pop operations"?

May I suggest that most of these 58,000 stores sell an overall better class of jewellery — at more favourable pricing — to a finer selection of American consumers than does Zale, Kay or Sterling.

May I also suggest that the quoted experts, Mr Gassman and Ms Adler, should take their noses out of the book and learn to understand and appreciate a dynamic, exciting enterprise. Jewellery is "made to be worn and enjoyed

year-round. It is designed and sold to make the wearer "feel good."

Perhaps one of your three "experts" should visit a local Mom-and-Pop operation to experience people who care about their customers, who treat them well and live on their referrals and future purchases.

These professional jewellers feel that their clients choose their jeweller as confidently as they choose their lawyer, physician or newspaper.

Jerrold Rosenwasser, President, New York Jewellers and Goldsmiths, 3 South Wabash, Chicago

## Credit where credit is due

From Mrs E. Spyropoulos

Sir, With reference to your article on the mobile sisal decorator ("Tanzania tries to renovate threadbare sisal industry," July 4), I would like to make a correction.

The mobile decorator is indeed now produced by Mr Dobell but the project was originally started by my husband, Evan Spyropoulos, whose dream it was to produce such a machine after others had tried but failed to do so earlier in the century. He felt it was

essential to make a change in an industry long in need of modernisation. I would like to point this out as a matter of historical accuracy and to give credit where credit is due.

Although the article mentioned "British and Asian sisal borers," it omitted the important fact that the Greeks were the backbone of the sisal industry in Tanzania prior to nationalisation. Elizabeth Spyropoulos, PO Box 47004, Nairobi, Kenya

## LOMBARD

## Why the Tories should heed the three P-words

By David Buchan

The British Conservative Party seems likely to be rocked by more Ridley-esque explosions in the coming year, as the UK and its 11 EC partners start negotiations over political and monetary union. Unless, that is, it heeds certain observations which can be classified, as George Bush would put it, under three P-words.

The Palliative: Britain is not alone in its disquiet as a united Germany approaches. It should not be panicked into thinking that all the rest of Bonn's partners are adopting the poodle-like attitude to German unity that Mr Ridley attributed to the French.

If those in Britain anxious about a united Germany throwing its political and economic weight around the Community, like Gulliver among the Lilliputians, feel they are alone in their anxieties, they may be impelled to express these feelings in Mr Ridley's idiotic way. But the latest Eurobarometer, an EC-wide poll which the European Commission publishes regularly, shows that right around the EC, support for German unity has receded as that unity has advanced.

In every single EC state, Eurobarometer found fewer people this spring who favoured German unity than did so last autumn. The drop in France (from 80 to 66 per cent) was indeed sharper than in the UK (71 to 64 per cent); even in West Germany backing for unity fell by one percentage point. Of course, some fall-off in support was inevitable.

Since the heady days when the Berlin Wall was first breached last November, Bonn's EC partners have had time to count the economic and political implications of pan-Germany.

The Push: monetary union is not *ein putz* by the Teutons, but *une pousse* by the Latins. Far from it being Mr Ridley's "German racket," monetary union has been pushed onto the EC agenda over the past two to three years by France and Italy. Anyone who was half-awake in 1987-88 will recall that it was agitation by France at the general deflationary bias

of the European Monetary System and the unfair way in which it bears more heavily on weaker currencies in the system, and similar complaints from Italy, that got the Delors monetary union study started at the June 1988 summit in Hanover.

It was a close-run thing. With the Bundesbank and the Bonn finance ministry then opposed to any change in the EMS status quo, it was only Mr Hans-Dietrich Genscher who prevailed upon Chancellor Helmut Kohl to agree to the monetary union study.

It was precisely to reinforce German waverings about monetary union that the UK Treasury has pitched its two alternatives to the full Delors plan for a single currency and a single federal central bank system. The first plan, for "competing currencies," produced last November, was in effect a paeon of praise to the status quo, the EMS and the way that it keeps the burden of adjustment on weaker currencies. It was clearly calculated to appeal to the Germans. It did not, because just at that point the bombing of the Berlin Wall changed the whole political context in West Germany.

The second British attempt at a half-way house to full monetary union was this summer's Major plan for the "hard Ecu." Why hard? Because the Bundesbank has always complained about the current Ecu being soft. It did not work, because again German views about the EC have steadily changed this year. Today there are not too many German waverings about monetary union left for London to try to reinforce.

Now, of course, with Mr Karl Otto Pöhl, the Bundesbank president, setting the stiffest of conditions (institutional and economic) on monetary union and suggesting that Germany, with France and Benelux, form an inner-core monetary union, it does look a bit like a "German racket." But to pretend that this is what the Germans intended at the outset is a serious misreading of recent history.

The Paradox: the heart's desire of many Britons, includ-

ing Mrs Thatcher, is for the Community to be just a properly-functioning free trade area, with a bit of co-ordinated negotiating with the outside world thrown in. But the lesson of 1992 is that for trade to be properly free of barriers and distortions, in the exchange of services as well as of goods, a certain supranational supervision and surrender of sovereignty is required.

It is not just a matter of the Commission in Brussels telling states that, in certain cases, they cannot spend their money on their own companies or their own soil, or the Court in Luxembourg staying national laws with its injunctions. A less obvious but more widespread surrender of sovereignty is the mutual recognition by EC states of each other's laws. This habit, a key factor in advancing 1992, is actually even more infringing of sovereignty than majority-voting in the Council, because it means that a state is letting operate on its soil a law, which it has not had a say in making.

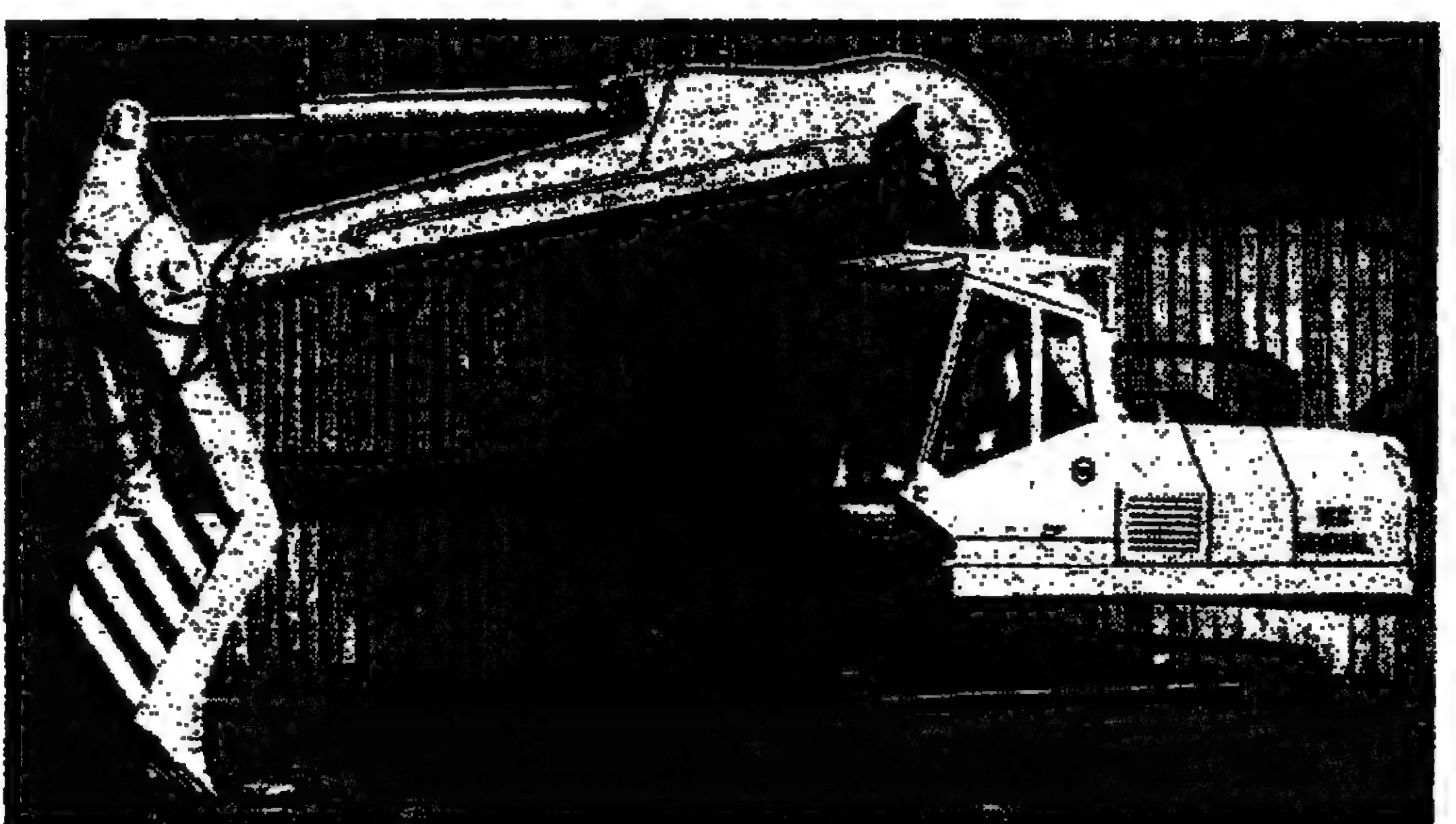
Now, there is no need to go in for such sovereignty-shedding if you are happy with more limited free trade, such as that confined to goods between, say, the EC and Efta, or between Australia and New Zealand, or even, at the moment, between the US and Canada. And, of course, in managed trade, as in Europe's defence sector or in Comecon, governments cede little in sovereignty or control to any outside body.

The paradox, therefore, is that the more free trade-minded you are in wanting, like the UK Government, to see sensitive financial services liberalised, competition policy strengthened, and non-tariff barriers come down, the more you must rely on supranational supervision, or at least decisions being taken at the Community level, to get what you want.

Has 1992, achieved by these largely supranational means, been really so painful to the UK Government? It would not seem so. No EC state remains more single-minded about the single market than Britain.



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## Save the Children in Africa

From Mr Nicholas Hinton

Sir, Julian Ozanne ("15 years of ill-conceived aid," July 11) highlights some of the worst examples of large-scale development aid in Tanzania. There is no doubt that misconceived aid projects have played a part in what has been a decade of economic decline for many African countries.

But there is a real danger when talking about the challenge of development in Africa of throwing the baby out with the bath water. We should not lose sight of some achievements: Tanzania itself has improved its adult literacy rate from 33 per cent in 1970 to 91 per cent in 1990. It should not be forgotten that during this period Tanzania bore the financial burden of ending Idi Amin's regime in Uganda.

Mr Ozanne sweepingly characterises aid workers as "lords of poverty," bankrolled by huge salaries. But he fails to draw a distinction between large-scale international donor agencies and non-governmental organisations such as Save the Children. Certainly in the

case of the latter, any idea of luxury lifestyles is a myth that is far removed from reality.

The mistakes of development aid too often arise from a failure to consult and involve local communities in planning and managing projects. Ensuring that projects are sustainable and bring long-term benefits means employing local people paid at rates that are realistic in the micro-economic context. Of the many thousands of Save the Children employees worldwide, only 150 are expatriates. Expatriate professionals are only employed where there is a need for specific skills and their salaries are modest.

The improvement of conditions for the mass of ordinary people in Africa continues to present an immense challenge. Meeting that challenge can only be achieved if we learn from the successes of development as well as the failures.

Nicholas Hinton, Director General, Save the Children, Mary Datchelor House, 17 Grove Lane, SE5



## KUWAIT FEARS TERRITORIAL CLAIMS

### Iraq accuses neighbours in oil row

By Victor Mallet, Middle East Correspondent, in London

IRAQ yesterday raised the stakes in the war of words with its Arab neighbours over oil production, accusing Kuwait of violating the Iraqi border to steal Iraqi oil reserves and suggesting bluntly that Arab loans to Iraq should be written off.

Mr Tariq Aziz, the Iraqi Foreign Minister, attacked Kuwait and the UAE by name in a letter to the Arab League. He complained that they had deliberately undermined the Iraqi economy by producing more oil than allowed by their Opec quotas and thereby depressing oil prices.

Mr Aziz said Kuwait had stolen oil worth \$2.4bn from Iraq's Rumaila oilfield near the disputed Kuwait-Iraq border during the past decade, and had built military installations on Iraqi territory in 1980 in "an

act of military aggression."

In the letter, broadcast by the Iraqi media a day after President Saddam Hussein threatened to retaliate against quota breakers, Mr Aziz said: "We register before the Arab League and all Arab states Iraq's right to get back the stolen amounts... Things have developed to a level which we can no longer ignore."

Kuwait, a wealthy but vulnerable state which has long been the target of Iraqi expansionism, has reacted with dismay to the Iraqi pronouncements.

Sheikh Jaber al-Ahmad al-Sabah, the Emir of Kuwait, has despatched senior ministers to various Arab countries to gather support and is said to have put the small armed forces on alert. A special session yesterday of the Interim

National Assembly, an advisory body, condemned the Iraqi memorandum.

Kuwait and Saudi Arabia supported Iraq during the eight-year Gulf war against Iran with some \$35bn in financial support.

Mr Aziz's demand for the loans to be converted to grants is not regarded as a particularly serious obstacle - neither country expected to get its money back anyway - but the accusations about Rumaila are seen as an attempt by Iraq to raise the diplomatic temperature and pursue its own territorial claims against Kuwait.

President Saddam, compared by many Arabs to the late Gamal Abdel Nasser of Egypt, has previously reserved his most belligerent rhetoric for Israel and Iran.

But now, while attempting

to consolidate the 1988 ceasefire with Iran, he has rounded on his former Arab allies, attacking them by name in a departure from Arab diplomatic practice.

The oil markets have reacted cautiously to the latest developments.

Reports of high stocks sent prices lower early yesterday, but the rising tension between Kuwait and Iraq, together with a belief that Kuwait and the UAE will stand by their pledges to cut production, prompted a hardening of the market later.

Last night North Sea Brent crude oil for August delivery closed at \$18.5 a barrel, up 20 cents from Tuesday's New York close.

UK nurse returns to London, Page 6; Commodities, Page 25

## Brussels plans to lift insurance restrictions within EC

By Tim Dickinson in Brussels

AMBITION PLANS to open the European Community's highly protected market in non-life insurance were formally tabled by the European Commission yesterday.

The proposed directive is designed to widen consumer choice and cut premiums in a market worth hundreds of billions of Ecu a year. It seems certain to arouse fierce resistance in such countries as Belgium and West Germany, but will be championed by the UK.

Forecasted last November in a keynote speech by Sir Leon Brittan, the EC's financial services commissioner and competition commissioner, its effect will be to allow any insurance company established within the Community to supply all types of insurance, other than life insurance, in another member state and to set up branches based on "home" country control.

Sir Leon said yesterday: "Until now the companies selling non-life insurance have had to obtain authorisation from each member state before they could operate there, and they have had to follow national rules on the types of contract they could offer."

"In effect, therefore, there have been 12 separate markets for non-life insurance, which has cramped competition, pushed up prices and reduced consumer choice."

While stressing the financial benefits which would flow from adoption of the new directive by member states, the Commission was careful to emphasise the consumer safeguards which it has built in to its proposals.

Thus, rules on insurance company accounts being negotiated separately by member states and existing solvency margin requirements will be supplemented by a list of recognised assets which can be used to cover companies' technical reserves.

Brussels is determined to curb those national restrictions which require insurance companies to invest in particular types of investments and rules on matching the currencies of the investment with the currencies of the risk have been amended.

Another controversial suggestion is the outlawing of prior vetting of contracts by national authorities, and of government control of premium scales.

However, member states will retain the power to require notification of policies relating to compulsory insurance (such as medical insurance) to ensure that they correspond to the obligations imposed by the government.

Special conditions can also be laid down where considerations of "the general good" come into play.

A Commission official cited as one example the ban on kidnapping insurance which applies in some countries.

A member state, moreover, will be able to insist that its own contract law should apply for so-called "mass risks" on its own territory - that is, for individuals.

Sir Leon said he hoped to unveil the parallel directive on life insurance by the end of the year.

## The chips are down at STC

The finer details of Fujitsu's impending deal with STC over ICL are hard for outsiders to guess at. But the likely questions for the City of London are relatively easy to state. Is Fujitsu insistent on having majority control of ICL, the biggest single asset of one of the UK's largest manufacturers? And if so, at what price? A strong case can be made for the industrial logic of a closer link between Fujitsu the chip-maker and ICL the main-frame producer, though it must be said that the benefits of computer industry partnerships like Unisys and Nixdorf/Siemens are far from proven yet.

The STC/Fujitsu deal is not without recent parallels, such as GEC's hiring-off of power engineering into GEC/Alstom. But it will be breaking new ground for the City if a giant Japanese company ends up as more than 50 per cent owner of ICL, accounting as ICL does for considerably more than half STC's £1.4bn market worth.

In the very short term, firm reports of a deal for Fujitsu to take a chunk of ICL can only be good for STC's shares. Since the crisis of 1985, STC's record has been generally very good, with dividends compounding up at 35 per cent per annum in the last four years. But with tax and capital expenditure bills climbing steeply, even before the recent slow-down in British Telecom orders STC's cash flow had been weakening. Group-wide R&D spending is nearing £300m annually, the lion's share of it in ICL. With IBM now staging a comeback, it was becoming increasingly clear that a deal with Fujitsu was essential for ICL to stay in the game.

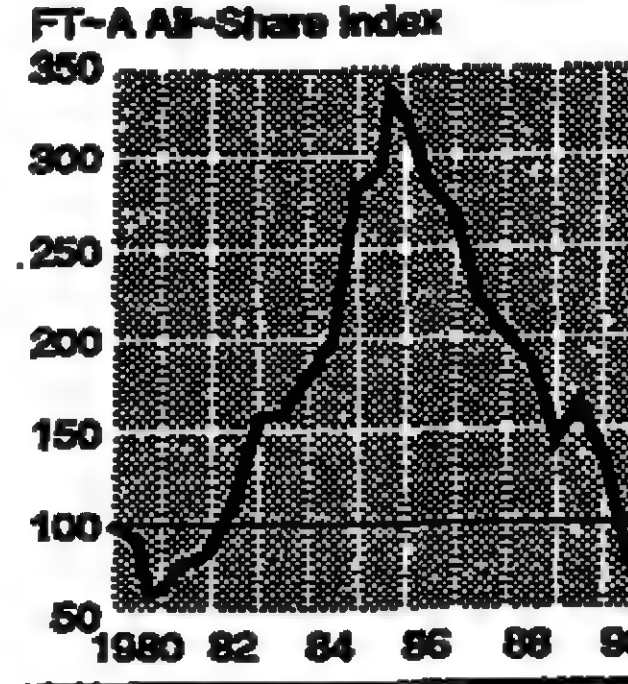
But other issues arise. STC's shareholders may find themselves serving as guinea-pigs for a new wave of investments by Japanese manufacturers seeking majority stakes in bits of quoted UK plc. One trusts that the institutions will keep a close eye on this situation to protect UK shareholders' rights.

## Markets

It was Mr Greenspan's bad luck yesterday to find himself delivering his Senate testimony on the same day as a poor set of US inflation figures. His principal task was to argue that last week's cut in interest rates did not represent laxity of policy, but with the inflation figures in front of them, the bond, equity and currency markets all disagreed and went

## Burton Group

Share price relative to the FT-A All-Share Index



lower. The markets are coming to suspect that a political deal is afoot between the Fed and the White House: that last week's easing was in exchange for Bush's about-turn on taxes; and that further easing may depend on a budget deal being voted through before the autumn recess. But that aside, Mr Greenspan's remarks yesterday had the perverse effect of leaving the markets again unsure of whether to be more worried about inflation or recession.

Perhaps the Fed's revisions of this year's growth and inflation forecasts yesterday - downwards and upwards respectively - could be taken to point to simple stagflation. Either way, it is hard to see why the US bond market should go better on yesterday's showing. And Wall Street, still under fire from poor second quarter corporate results, can scarcely make headway on its own.

## Burton

The latest turn of events at Burton is distinctly perplexing. The sale of the financial services business is as expected; the proposed withdrawal from property development is not. Burton's property entanglements have been a principal reason for the recent weakness in the share price; but it is not immediately obvious that having got into development at the top of the market, the answer is to get out at the bottom.

Granted, the about-turn has much to be said for it in principle. The property inflation of the late 1980s convinced most of Britain's retailers - and brewers too, for that matter - of their genius as property tycoons. The more that follow Burton's example in reverting to their original business the

better. But the immediate question is why Burton should not hang on for the upturn. Granted, that would be costly in terms of the profit and loss account; but the hit on the balance sheet caused by immediate sale can scarcely be less severe.

Given the practical difficulty of selling major retail developments in the present market, it may be that Burton is simply indulging in a sophisticated piece of investor relations. Talk of further asset sales is an excellent way of reminding the market of the underpinning for the 11.5 per cent yield on Burton's shares. It seems clear that the price will jump today from yesterday's close of 109p. But the market should remind itself that the underlying pressures at Burton remain slightly obscure; and that reverting to pure retailing is no longer a very comfortable option either.

## Hoskyns

In an industry dominated by scientific buffoons, Hoskyns has always stood out as a company run by financially astute businessmen. It came to the market at the end of 1986 with a price tag of \$48m; was sold to Plessey 19 months later for \$164m, and a minority of its shares were then floated just over a year ago. Now Cap Gemini Sogefi has bought majority control in a deal valuing the company at \$266m and is offering minority shareholders a tempting deal to remain locked in. It is one of the rare cases when they should think seriously about accepting.

The current \$30p per share offer values Hoskyns at around 25 times prospective earnings. This is not particularly generous given the exit multiples being paid for less attractive computer services companies. But then it will be lucky to report more than 10 per cent earnings growth in the current year. Hoskyns shareholders have to choose between accepting this offer, or a minimum of 46p in 2 1/2 years time and a maximum of 60p. Given the downturn in the industry, 46p looks a more reasonable price, but it is still the equivalent of an annual yield of close to 15 per cent. This compares with a comparable gilt yield of 12.4 per cent. There is no bank guarantee assuring that the return will be there by 1993, but CGS has a good track record. Hoskyns shares should be valued more like put options with no call.

## Moscow denies it will reschedule debt

By Quentin Peel in Moscow

THE SOVIET Government has no intention of increasing its foreign borrowing above a ceiling of Rb34bn (\$56.8bn), nor any plans to reschedule its debt, a top government banker announced yesterday.

At an extraordinary press conference summoned to scotch reports of any imminent debt-rescheduling, President Mikhail Gorbachev's official spokesman, and Mr Eduard Gostev, the deputy chairman of Vneshekonbank, the state foreign trade bank, insisted that the Government was intending simply to "restructure" its outstanding debt, in the face of a backlog in trade payments.

It is understood that amelioration of the structure of existing indebtedness should be arranged by seeking new credits with longer maturities, and limiting our general external indebtedness," said Mr Arkady Maslennikov, the Soviet president's spokesman.

He was seeking to explain a casual remark by Mr Gorbachev, at the time of his recent meeting with Chancellor Helmut Kohl of West Germany, that the Soviet Union was seeking to "prolong the repayment of our debts a bit at more suitable conditions."

"It was not meant (that there would be) any interruption of debt payments and extension of the maturities (rescheduling), but searching for ways to settle the payments situation," Mr Maslennikov said. "Naturally all previously signed credit agreements will be honoured, and their conditions will not be renegotiated."

Mr Gostev, clearly battered by inquiries from international bankers over the Soviet president's remark, insisted that the Government had set a firm ceiling on its debt exposure, and was now simply seeking to improve the maturity structure with new credits.

He said the only reliable figure for Soviet debt was Rb34bn, as quoted by Mr Nikolai Ryzhakov, the Soviet Prime Minister.

"We are trying to keep our debt in these limits," he said. "If we are doing anything we try to limit it to this amount, or at the moment, to even less."

In the immediate situation, with delayed trade payments officially estimated at some \$2bn, he said: "We are trying to make it better with longer money we are trying to get in the markets."

He said the DM5bn (\$3bn) loan guaranteed by the West German Government would help with the payments delays,

"especially for the German exporters."

He flatly denied any interpretation of the President's statement as an intention to reschedule Soviet debt. "We are talking about restructuring our debt situation, to make it much more stable."

Mr Gostev welcomed West German support for a major international programme of assistance - within the credit ceiling agreed. This would allow the Soviet Union to repay shorter-term borrowing.

However, he warned against any borrowing for immediate consumer goods purchases, as favoured by some Soviet economists, to restore consumer confidence in the reform process.

"In spite of a very big demand for imports, we should be very careful and not increase them for anything like toothpaste," NZ to buy Soviet vodka, Page 3

## Kenya faces aid reduction over detention of political protesters

By Julian Ozanne in Nairobi

FOREIGN DONORS who have poured billions of dollars of concessional money into Kenya because of its image of stability and democracy are threatening to cut off aid unless President Daniel arap Moi makes political reforms and releases recently detained government critics.

Such a cut in aid would severely damage the Kenyan economy, which last year depended on about \$1.1bn of foreign assistance to bridge a huge financing gap. More external aid will be needed next year to meet the current account deficit, increase foreign reserves and pay off debt.

The strongest warning, issued by the Nordic group of five countries, says that unless the Government releases or charges more than 20 political detainees, between \$80m and \$100m of development assistance may be axed.

"If the Kenyan Government takes one more step in the wrong direction, the guillotine will fall immediately," Mr Erik Fil, Denmark's ambassador to Kenya, said yesterday. "And, if they do not release the detainees within two weeks, there will be some action from us."

Denmark, the largest Nordic donor to Kenya, has pledged

\$35m for 1990-91.

The Nordic statement follows warnings issued by US Congressmen that aid could be frozen unless significant steps are taken to respect human rights and improve the political system.

Mr Clairborne Pell, chairman of the Senate Foreign Relations Committee, has called for the US-Kenya relationship to be reassessed. In the House of Representatives, the Foreign Affairs Subcommittee is also reported to be considering freezing \$13m of unspent military and economic aid pledged for this year.

While other countries have not gone as far as threatening to cut back aid, Britain and Canada have both expressed concern about the Government's heavy-handed treatment of the pro-democracy movement.

On Monday, Mrs Sally Koege, Kenya's Ambassador to Britain, was summoned to the Foreign Office and told of London's anxieties about the situation in Kenya. The Foreign Office also urged the early release of detainees.

British diplomats in Nairobi said yesterday that a cut in aid was not being considered but they denied reports in the Gov-

ernment-owned Kenya Times that Sir John Johnson, High Commissioner, had said on Tuesday that Britain was considering increasing her aid to Kenya. The Kenyan Government has responded to threats about cuts in aid by criticising "western interventionism in Kenya's internal affairs."

Several Kenyan government ministers have also called for the expulsion of the US ambassador who has been the most outspoken western diplomat on human rights and democracy.

Mr Joseph Kamotho, Minister of Transport, described the ambassador as "a disgrace to the diplomatic community" and said he was "clearly working hand-in-hand with people trying to overthrow the Government."

Without large flows of foreign assistance Kenya would be hard pressed to meet its import bill and a growth target of 5 per cent a year to keep pace with population growth of about 3.8 per cent.

But cutting aid is easier said than done. Much western assistance is committed to long-term projects in health and education and for many big donors aid is closely tied with commercial trade.

## Hong Kong dilutes planned Bill of Rights

By John Elliott in Hong Kong

HONG KONG has watered down its proposed Bill of Rights, which implements international conventions on civil and political liberties and is intended to sustain basic rights after the colony reverts to Chinese sovereignty in 1997.

A draft of the Bill, published last night, allows Hong Kong's legislative council to continue, for an unstated number of years, to operate local laws which breach the Bill's detailed provisions on issues such as privacy and the presumption of innocence for alleged criminals.

This is an open-ended concession to special interest groups and is a significant softening.

The first draft included a two-year freeze on the introduction of the Bill, to allow time for laws to be brought into line. Now there is to be an initial one-year general freeze.

On top of this, the colony's legislative council will draw up a schedule of laws which will remain exempt and will decide on how long the exemption should last.

One candidate would be the statute governing Hong Kong's Independent Commission Against Corruption (ICAC). This infringes international rights by presuming a government official accused of corruption is guilty unless proven innocent. It also allows the ICAC to carry out searches and personal investigations without court orders.

The ICAC originally asked to be fully exempt from the entire Bill but, in the face of public opposition, it has dropped this claim.

Instead it is negotiating with the Government on compro-

mised arrangements.

The Government has decided not to take any action to protect local customs in the colony's New Territories, where some property is inherited only through the male line. Although this could infringe rights to sexual equality, the Government aims to leave a decision on such a sensitive social issue to the courts.

Following strong pressure from businessmen, the Government is also deferring the application of privacy rights in the private sector until it has introduced a series of laws governing issues such as data protection and freedom of information.

Steps have already been taken to bring some laws into line with the Bill. The legislative council decided last week to legalise homosexual acts between consenting male

adults, and a bill has been published banning judicial corporal punishment.

But the Government is not planning to abolish the death penalty, even though no one has been executed since 1966. Yesterday's draft was prepared after four months of public consultation. It will be gazetted tomorrow and presented to the legislative council next Wednesday and is expected to become law by the end of the year.

The Government has been unable to entrench the Bill and make it supreme over all other laws, partly because China has insisted on supremacy for its Basic Law.

China does not recognise or operate the international conventions. It has included them in the Basic Law, but has objected to them being enshrined in detail in the Bill.

## US to open talks with Vietnamese

Continued from Page 1

bodians were killed or died of starvation, was "extraordinarily tragic," the US Secretary of State said.

But that judgment has not prevented the US from giving both overt and covert aid to the two non-communist factions allied to the Khmer Rouge in its fight against the Vietnamese-backed government in Phnom Penh.

Mr Baker stressed that the change in US policy would not affect Washington's support to the non-communist resistance groups of Prince Norodom Sihanouk and Son Sann.

Mr Baker also said yesterday that the US was prepared to review its recognition of Cambodia's seat at the United Nations, currently held by the three-party coalition dominated by the Khmer Rouge.

The United Nations has allocated a seat in the General Assembly each year to the coalition and denied formal recognition to the Government led by Prime Minister Hun Sen.

The change of US policy came as representatives of the five permanent members of the United Nations Security Council also meeting in Paris announced they had agreed a peace plan for Cambodia. The plan, which will be released later, includes a UN-monitored ceasefire and caretaker administration before elections.

Xu Duxin, the Chinese Deputy Foreign Minister, said in Paris yesterday before Mr Baker's announcement, that Peking would continue to aid the guerrilla coalition until the international community had established that all Vietnamese troops had left Cambodia.

Laos  
Thailand  
Cambodia  
Phnom Penh  
Ho Chi Minh

Temperature at midday yesterday C-Cloudy D-Drizzle F-Fair P-Fog N-Nail R-Rain S-Sunny SI-Sleet SN-Snow T-Thunder

Worldwide weather

Alaska 5 27 81 Berlin 10 22 72 Chicago 10 22 72 London 10 22 72 New York 10 22 72 Paris 10 22 72 Rome 10 22 72 Tokyo 10 22 72

Amsterdam 10 22 72 Barcelona 10 22 72 Beijing 10 22 72 Bombay 10 22 72 Buenos Aires 10 22 72 Calcutta 10 22 72

Cardiff 10 22 72 Copenhagen 10 22 72 Dallas 10 22 72 Delhi 10 22 72 Dhaka 10 22 72

Dublin 10 22 72 Frankfurt 10 22 72 Geneva 10 22 72 Hong Kong 10 22 72

Indanagar 10 22 72 Istanbul 10 22 72 Jakarta 10 22 72 Karachi 10 22 72

Kobe 10 22 72 Kuala Lumpur 10 22 72 Madrid 10 22 72 Manila 10 22 72

Moscow 10 22 72 Mumbai 10 22 72 New Delhi 10 22 72

Ottawa 10 22 72 Perth 10 22 72 Rangoon 10 22 72

Reykjavik 10 22 72 Seoul 10 22 72 Singapore 10 22 72

Sydney 10 22 72 Taipei 10 22 72 Tel Aviv 10 22 72

Wellington 10 22 72 Yokohama 10 22 72

## Dunkin' Donuts Incorporated

has acquired

The undersigned acted as financial advisor to Allied-Lyons PLC in this transaction.

Lehman Brothers International



**INSIDE**

**ABB in Portuguese joint venture**

Asa Brown Boveri, the Swiss-Swedish construction and engineering group, is linking with the Portuguese state holding company, IPE, and the country's largest manufacturer of power generation equipment, Magu, to form a joint venture that will have an estimated annual turnover of Esc 51bn (\$210m). Page 19

**Indian hiccup cured**

The Bombay Stock Exchange experienced a violent hiccup this week, as its 30-share index dived by nearly 34 points on Monday and then more than recovered to reach a new high yesterday. The fall was in response to the unpopular appointment of the son of Deputy Prime Minister Devi Lal as the chief minister for the northern state of Haryana. The political crisis was quickly defused when Mr Lal's son resigned. Back Page

**Strong Canadian dollar hits forest groups**

Three of Canada's leading forest products companies, Abitibi-Price, MacMillan Bloedel and Canadian Pacific Forest Products, have suffered from weak pulp and paper markets, extra costs and the strong Canadian dollar. Abitibi, one of the world's largest newspaper makers, incurred a C\$3.7m (\$US\$3.2m) loss in the second quarter, while earnings at Macblo and CP Forest tumbled by 58 per cent and 91 per cent respectively. Page 19

**Rocking the apple cart**

Pre-tax profits at HP Emitter, the UK cider-maker responsible for the Strongbow and Woodpecker brands, have been hit by the withdrawal of Perrier water earlier this year and production problems which led to the group's one-litre cider bottles. Yesterday, the group reported profits of £12m (\$21.74m) before tax - 14 per cent higher than a year earlier, but cut by about £1m because of the problems. Page 23

**First Leisure to raise £30.7m**

First Leisure of the UK surprised shareholders yesterday by announcing a one-for-eight rights issue to raise £30.7m (\$55.63m). John Conlan, chief executive of the ten-pin bowling, discos, and entertainments group, denied plans for a large acquisition but said the cash would allow the group to "cherry pick" from the current shake-out in the leisure industry. First Leisure, itself, appears to have shrugged off the difficult conditions. Yesterday, it unveiled a 22.6 per cent rise in interim pre-tax profits. Page 22

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Corporation Banesto	19	RFG Enterprises	20
Courtline	24	Reebok Intl.	19
Credit Bank (Greece)	21	Rockwell	19
D&O Bank	18	Saudi American Bank	21
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El Lilly	19	Scott Picford	19
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Fleish/Norstar	19	Warner-Lambert	19
Gallimard	18	Yellowhammer	20

**Chief price changes yesterday**

FRANKFURT (DM)	PARIS (FF)
Alcatel	5075 + 152
Alcatel	455 + 40
Industrielle	327 + 25
Mannesmann	1080 + 78
Siemens	405 + 17
Vodafone	265 + 28
NEW YORK (\$)	TOKYO (Yen)
Alcatel	47 1/2 + 1 1/2
IBM	85 - 3 1/2
MSI	38 1/2 - 3 1/2
Motorola	36 1/2 - 3 1/2
United Telecom	27 1/2 - 1 1/2
Whitman	26 1/2 - 1 1/2

LONDON (Pence)	STOCK EXCH.
Admiral	233 + 8
Admiral	420 + 10
Admiral	321 + 4
Admiral	255 + 6
Admiral	263 + 15
Admiral	320 + 18
Admiral	320 + 22
Admiral	241 + 5

**CGS to buy 69.5% of Hoskyns**

By Charles Leadbeater, Industrial Editor

CAP Gemini Sogeti, the acquisitive French computer software house, yesterday won the auction for control of Hoskyns, the UK's leading computer services group.

CGS is to pay £199m (\$363m) for a 69.5 per cent stake in Hoskyns, valuing the whole company at £286m. As UK Takeover Panel rules require, it is offering the same price, 380p, for the balance of the shares, a 35p premium on Tuesday's closing price of 256p. However, to encourage shareholders not to sell, it is promising

a minimum price of 469p in a second offer in 1993. After the announcement, Hoskyns' shares rose, ending the day at 359p.

Last year, Hoskyns posted revenues of £186m, up 72 per cent on the year before. Pre-tax profits were £15.2m, an increase of 60 per cent on 1988.

The deal will confirm CGS's position as Europe's leading computer systems house. It comes two days after CGS's most ambitious move so far into the West German market, through the purchase of the West German sub-

siary of SD-Scicon, another British software house.

CGS's acquisition of Hoskyns may relieve pressure on the Sena Group, the Anglo-French software house in which it holds a hostile 23 per cent stake.

CGS said yesterday it had no immediate plans to dispose of the Sena stake. It added, however, that after the acquisition of Hoskyns it would not need to strengthen further its position in the UK market, until now its main weak point in Europe. The company said it was planning a

period of consolidation to allow it to digest the two acquisitions.

The deal marks a further internationalisation of the ownership of the British computer services industry, following AT&T's purchase last year of Istel from the Rover car group.

CGS is buying the stake in Hoskyns which General Electric Company and Siemens of West Germany acquired through their joint takeover last year of Plessey, the UK electronics group. Plessey had bought Hoskyns for £164m in 1988.

The informal auction of the stake prompted inquiries from several US regional telephone companies, from British Telecom and from Electronic Data Systems, the General Motors subsidiary.

CGS was judged to be an unlikely winner because it was thought the overlap of its activities with those of Hoskyns might lead to management tensions.

However, it appears the deal will satisfy most of the Hoskyns' management's conditions for a successful deal.

**First casualty in the Paris shake out**

William Dawkins explains why Tuffier was yesterday forced to file for bankruptcy

The French stockmarket yesterday experienced the first big collapse since stockbrokers' fixed commissions were abandoned last July. And pessimists fear more casualties are on their way.

The stockbroking arm of Tuffier et Associés, one of France's largest independent securities firms and the personal empire of the colourful yachting enthusiast Mr Thierry Tuffier for the past 21 years, yesterday decided to file for bankruptcy. It had failed to find a backer to provide the FF200m (\$36.4m) needed to cover its losses.



Nobody was very surprised - the CAC40 stock market index even rose a fraction of a point - since Mr Tuffier has been under a cloud for several months. But the bankruptcy is a sign of the extent to which the Paris stock market is becoming the preserve of brokers owned by powerful banks and security houses. These have led a ferocious commission-cutting war over the past year.

Tuffier's collapse could also be a warning of a shake-out of the same kind as those in New York in the mid-1970s and London in the late 1980s, following deregulation of their stock markets.

His estimates that the entire Paris market was generating commission income of only FF1.5m per day last month; measure pickings to share between the 44 active firms. Volumes have fallen steadily since the 1987 crash to around FF2.5bn on an average day, as against FF38m previously.

The immediate cause of Tuffier's collapse was its announcement last week that it planned to cut 100 jobs, a third of its staff.

This followed losses of FF62m in the first five months of this year. From that point, the market "lost faith in his ability to survive," says Mr Tuffier. Then last Friday came suspension by the Conseil des Bourses de Valeurs, the stock exchange regulators. The final blow was the refusal on Tuesday of Banques Populaires - the retail banking group which is Tuffier's largest outside shareholder - to bail out the firm unless it first went bankrupt.

To some extent, Tuffier courted disaster by stubbornly maintaining its independence as an all-purpose securities firm at a time when the big international houses were sweeping up the volume end of the market.

The pressures that led to Tuffier's collapse have their roots five years ago, when it emerged among the top dozen players in a French stock market that was just starting to become of significant interest to international

investors. The surge in volume and prices of the time shook up what had been a cosy fraternity, made up of small partnerships trading with the 45 broking licenses originally distributed by Napoleon to his supporters in the early 19th century.

The top firms made enormous profits until the 1987 crash, which coincided with the previous right wing government's reform allowing outside investors to come into French stockbrokers for the first time. Few publish figures, but Tuffier, which has a secondary market listing, reported a FF40m profit in 1987. Some responded to the tougher environment by selling out to French banks, which now own 18 firms. Another 12 went to mainly British, US, Dutch and Belgian buyers, including SG Warburg, Morgan Guaranty, NMB Bank and Banque Bruxelles Lambert. Some of these mergers, foreign and French alike, have had problems too, mainly due to the clash

of cultures between bankers and the securities world - but they have at least had the capital to cope.

Remaining brokers kept varying degrees of autonomy, either by selling minority stakes to bank partners, like Tuffier, which is 12.45 per cent owned by Banques Populaires, or maintaining total independence. It is this last category, embracing six brokers, in which analysts expect to find any future casualties.

Mr Alain Bocher, president of Bocher, one of the best known of the small independents says however: "The risks are exactly the same, whatever your size. One might say the bank-owned firms run the risk of having a management that might be more lax."

Even by the standards of other independents, Tuffier is a special case. It is an example of Tuffier's swashbuckling style that it floated 15 per cent of its shares onto Paris' second market right in the middle of the 1987 crash -

**Spanish steel supplier to be sold**

By Tom Burns in Madrid and Charles Leadbeater

BANCO ESPANOL de Credito (Banesto) yesterday said it had entered a joint venture with British Steel to acquire Jose Maria Aristaín, the family-owned company that is Spain's largest producer of structural sections for the construction industry. The venture is British Steel's second move into manufacturing in continental Europe.

Mr Mario Conde, Banesto's chairman, said his bank's Corporación Banesto had agreed to a deal with British Steel under which each would take 40 per cent of Aristaín, with the remaining 20 per cent being held by the existing family shareholders.

However under the agreement, British Steel and the bank have agreed that they would each sell 5 per cent to Enxidea, the Spanish publicly owned steel company, it should choose to join the venture.

Neither group would disclose the price of the deal, but late last night Aristaín revealed that it was receiving about Ptas40bn (\$995m) for the sale of 80 per cent of the company.

This price will be finalised after British Steel has carried out a due diligence exercise on the privately owned company's accounts, which could take up to four months.

British Steel said Aristaín had sales of about £74m last year and a net asset value of about \$407.2m.

The Aristaín deal comes just weeks after British Steel agreed to pay \$150m to buy the Truesdale plant of Klöckner-Werke, the West German steel and chemicals group.

British Steel would have preferred to acquire the company outright. However, a unilateral bid faced intense political opposition within Spain. The complicated partnership with Banesto, with the possibility that Enxidea might also join the venture, proved necessary as a mechanism to diffuse political hostility to the deal.

Once British Steel's interest became known, the Spanish Industry Ministry mounted a counter-bid through Enxidea and Altos Hornos de Vizcaya, Spain's largest steel producers, which are both state-owned, in an attempt to thwart the deal.

Both of those companies, which recently returned to profit following years of losses, fear that a British Steel beachhead in Spain will lead to increased high-quality steel imports.

Aristaín provides a British beachhead, Page 26

**Speculation spreads over IBM sale of typewriter businesses**

By Roderick Oram in New York

SPECULATION that International Business Machines might soon shed low technology businesses such as electric typewriters and keyboards mounted yesterday after it failed to deny it was contemplating such a multi-billion dollar move.

It said only that it was "considering many options... to sharpen its strategic focus and remain on the leading edge of the information processing business."

Offering the fullest range of business equipment from typewriters to mainframe computers has long been central to IBM's philosophy. But a sharp drop in profits in the mid-1980s forced the company to change drastically its operations and the way it does business.



Much work still needs to be done to reorient IBM, Mr John Akers, its chairman, acknowledged earlier this week when he announced its second-quarter results. Dropping low technology products that generate only meagre profits in spite of high volume would be a welcome further step, analysts said. In a similar vein, it sold its photocopier business to Eastman Kodak two years ago. "It would be an embarrassing admission for IBM that it can't hack it on those products but I give them credit for looking for an exit," said Mr Ulric Well, who runs his own computer industry analysis firm in Washington.

IBM had revamped its electric typewriter range in the mid-1980s and spent several hundred million dollars to update its Lexington, Kentucky, plant to make them.

The typewriter market is being rapidly eroded by ever cheaper and simpler computers and word processors.

The trend has already led to a collapse in profits at Smith Corona, the US maker of portable typewriters 45 per cent owned by Hansen, of the UK.

Because of such pressures, IBM is considering selling its typewriter, keyboard and possibly its low-priced printer businesses, the Wall Street Journal reported yesterday.

IBM is believed to be studying various options including the sale to an outside buyer, an employee buy-out or a combination of the two, analysts said. A deal could be worth around \$3bn.

Wall Street was very short on buyer candidates yesterday. Asian manufacturers dominate all three businesses worldwide, leading to speculation that IBM might be talking to a potential purchaser from Japan or Korea.

The Lexington plant, the sole in-house US source of those products for IBM, employs some 6,000 people.

**Weak US defence earnings**

By Roderick Oram in New York

TWO US defence contractors reported poor second-quarter earnings yesterday.

General Dynamics took a \$600m pre-tax charge for cost overruns and McDonnell Douglas turned in weak results only two days after announcing plans to fire up to 17,000 workers. A



MD-11: development costs hit McDonnell Douglas

third contractor, Northrop, recovered from a loss a year ago.

General Dynamics reported a net loss for the quarter of \$240m. Without the charge, net profits would have been \$30m.

McDonnell Douglas had net profits of \$57m, compared with a net loss of \$48m a year ago.

Development costs of the MD-11 airliner led to an operating loss of \$33m in the transport aircraft division.

Northrup earned net profits of \$29.3m, compared with a loss of \$73.1m (following a \$150m provision) a year ago.

Details, Page 18

**IPE's Sour Crude Oil Contract Open for Business**

From today, Thursday 19th July, London's International Petroleum Exchange offers its users additional trading and hedging opportunities.

IPE's Dubai Sour Crude Oil Futures Contract, based on cash settlement, presents a new opportunity for price determination of sour crude oil. The contract provides the international oil industry with greater flexibility for hedging and trading. It is designed to complement the existing Dubai crude oil forward market.

The IPE and SIMEX have cooperated in the development of their respective Dubai contract specifications. As a result trading will cease at the same time on the same day with a common settlement period. In addition there is access to this market for 18 hours each day.

**OIL The Commodity... IPE The Exchange**

The International Petroleum Exchange of London Ltd, International House, 1 St Katharine's Way, London E3 9UN, Telephone: 071 481 0643 Fax: 071 481 8485 Telex: 927479

11 West 42nd Street, New York, NY 10036 Telephone: 212 764 1748 Fax: 212 521 1296





## INTERNATIONAL COMPANIES AND FINANCE

## Conde unveils Spain's "1%" issue

By Tom Burns in Madrid

MR MARIO CONDE, chairman of Banco Español de Crédito (Banesto), formally unveiled yesterday his big project to offer international investors the opportunity to buy into "1 per cent of the Spanish economy" by acquiring equity in the financial and industrial corporation formed by his bank's widespread interests.

In what will be the largest placement by a private Spanish corporation, Mr Conde's bank expects to raise between Ptas500 (€81.7m) and Ptas600 (€85.9m) by reducing its stake in Corporación Banesto from 77 per cent to 51 per cent.

The shares will be traded after the summer on the Spanish stock exchanges and on SEAQ International in London, with a 60 per cent tranche being placed outside Spain.

Corporación Banesto consists of nine core industrial assets controlled by the conglomerate, a number of investments in quoted and unquoted companies and a portfolio of fixed interest and foreign securities.

All the assets were merged under the same corporate roof by Mr Conde last April to create Spain's largest, and youngest, private holding company.

Anxious to build up Spain's corporate profile, the Government allowed Mr Conde a considerable fiscal break by waiving 70 per cent of the capital gains tax due on the profits realised by Banesto when it realised its assets to create the holding.

Taken together the corporation's assets have a market value of some Ptas320bn. They represent around 2.7 per cent of the Madrid stock exchange and account for just over 1 per cent of Spain's gross domestic product - a statistic that has become the chief selling point in the proposed placement.

Mr Arturo Román, Corporación Banesto's chief executive, stressed at yesterday's presentation that Spain would continue to be Europe's fastest growing economy in the early part of this decade with GDP growth staying at least one point above the European average.

The sales pitch ran on the lines that what is good for Spain is good for Corporación Banesto, for the holding includes quality companies in virtually all the key sectors.

The jewels in the conglomerate crown include Gasson, Spain's leading cement producer, Petromed, Spain's fourth ranked oil company with 10 per cent of the country's refining capacity, Astriana de Zinc which accounts for 70 per cent of Spain's zinc



Mario Conde: energetic, 'hands-on' businessman

production, Carburos Metálicos, the domestic market leader in ferro-alloys, Union y Fenix, the second largest insurance company in Spain, Tudor, a European leader in industrial batteries, and Agroman, the second ranked construction company in Spain.

Mr Conde said the holding company's target was to achieve an operating profit return of between 20 per cent and 25 per cent over the next three to five years. He stressed that his aim was to "achieve an overall performance in line with other large industrial

groups in Europe."

For the institutional investor looking to Spain Corporación Banesto offers an entirely new option to buy into a well-diversified cross shareholding.

The corporation appears as a glorified closed-end investment trust with the added ingredient of a hands-on management headed by the energetic Mr Conde, a 41-year-old businessman who became Banesto's chairman two and half years ago.

No details were released about the expected discount on the flotation but Mr Stefano Marsaglia, director of corporate finance at UBS Phillips & Drew which will underwrite and lead the share offering, said there would be a private placement in the US under rule 144A as well as a public offering without a listing in Japan.

For the newly launched conglomerate the future looks rosy. Mr Joaquín Tamames, a partner of Madrid-based market analysts Research Associates, said Corporación Banesto has a "huge growth potential" because it is formed entirely by equity and reserves that are invested in its companies. The holding company's balance sheet can consequently be geared up with comparative ease to pursue further acquisitions.

## Mondadori unit to buy 10% of Gallimard

By Haig Simonian in Milan

WITH a twist to the plot that would make many of their authors smile, Gallimard and Mondadori, the prestigious French and Italian publishing houses which have both been involved in lengthy separate family disputes worthy of a good novel, are today to announce an equity link.

Elisabetta, the leading Italian publisher which is owned by a 49 per cent controlled Mondadori subsidiary, is due to take a 10 per cent stake in Gallimard, in the prelude to what will be wider co-operation between the two houses.

The shares in Gallimard have become available following the recent decision by three key family members of the Gallimard family to sell their holdings to Banque Nationale de Paris (BNP).

As a result, the bank now owns almost 37 per cent of the company, which publishes the works of Marcel Proust among a glittering list of others.

No price has been released for the deal, which may also involve further companies taking like-sized stakes in Gallimard. However, on the basis of the valuation made by Henry Ansbacher, the investment bank which arranged the latest share sale to BNP, the 10 per cent stake would be worth FF182m (€32m).

Elisabetta itself, which has a list of 3,650 titles, is Italy's leading literary publisher, numbering Italo Calvino among its best-known authors, as well as having a lengthy catalogue of foreign literature in translation.

## Accor arm buys 50% of Restoplan

GENERALE DE Restauration, a unit of Accor, the French hotel and restaurant group, has joined up with Hodon, a unit of Vendex International to buy Restoplan, a Dutch restaurant company, AP-DJ reports. Accor said both Générale de Restauration and Hodon have taken a 50 per cent stake in Restoplan, which has estimated 1990 consolidated revenue of FF50m (€9m).

## Pirelli warns of weak results in first half

By Ronald van de Krol in Amsterdam

PIRELLI TYRE Holding (PTH), the Dutch holding company for the tyre activities of Italy's Pirelli group, cautioned yesterday that its first-half figures, due out in September, were likely to be significantly lower than in the same period of 1989.

The company, which floated its shares on the Amsterdam stock exchange in mid-1989, attributed the downturn to severe price competition, a decline in volume sales and the weaker US dollar. In the first half of 1989, net profit had risen 20 per cent to FF102m (€18.9m).

PTH said results in the second half of 1990 were expected to improve, thanks to cost-cutting, higher seasonal sales and a reduction in non-recurring negative factors.

The company said it would update its full-year forecast in early September.

In April, PTH had estimated that 1990 profit would be maintained at 1989 levels and that sales would show a rise of more than 5 per cent.

PTH's shares fell FF1 to close at FF25.80 yesterday.

Consolidated sales in the

1990 first half fell to FF3.16bn from FF3.36bn in the same 1989 period, reflecting the dollar's decline against the guilder.

In dollar terms, first-half turnover was up 5 per cent at \$1.66 bn.

However, volume sales declined slightly in the first half, with the trend varying from region to region. PTH saw moderate sales growth in Europe, but faced a drop in both sales and selling prices on the North American market for replacement tyres.

Sales in South America got off to a good start in early 1990 but these were hit later by the Brazilian Government's economic austerity programme before picking up again in June.

In Turkey, the tyre industry had ground to a halt over the past three months because of a prolonged industrial dispute, PTH said.

"The market prospects for the second half are for stability of replacement volumes with a probable reduction in original equipment in Europe, for no change in the US and improvement in volumes in South America," said PTH.

## Stronger profits for private Greek banks

By Karin Hope in Athens

GREECE'S two private banks have reported strong growth in profits for 1989, benefiting from further liberalisation of the banking system and an expanding capital market.

Credit Bank announced that net profits totalled Dr6.98bn (€43m), a 59.1 per cent rise over 1988. The underlying growth in operating income reached 33 per cent, while underlying costs rose by only 24.3 per cent, a gap which accounts for much of the strong improvement in profits.

The bank raised its dividend by 38 per cent to Dr1,000 on earnings per share of Dr1,580. The return on equity was 32.3 per cent, up from 22.7 per cent.

The results reflected the bank's improved growth in retail services, as well as its strong performance by its recently established investment banking, leasing, and brokerage subsidiaries.

Ergobank, a smaller private bank, reported a rise in net profits from 1988 of 104.2 per cent, to Dr1.1bn. Underlying growth in operating income totalled 68 per cent, while costs rose by 34 per cent.

The bank announced a dividend of Dr1,000 per share, up from Dr620 per share in 1988. Earnings per share were Dr1,586, while the return on equity declined from 62 per cent to 59.3 per cent.

## Alisarda plans capital increase

ALISARDA, a second-tier Italian airline controlled by the Aga Khan, plans to increase its nominal share capital to L16bn (€12.3bn) from L12bn in a capital operation that will raise a total of L4bn, AP-DJ reports.

The operation will also bring in the Cariplo banking group as a new shareholder. Cariplo's Compagnia Finanziaria Italiana (CFI) will take up about 20 per cent of the capital increase to acquire a 4 per cent stake in Alisarda.

Alisarda's other shareholders have agreed to take up the outstanding 80 per cent.

## Aristrain provides a British beachhead

Maria Aristrain, the Spanish steel producer, has been ripe for acquisition ever since the Basque businessman who built the company up and named it after himself died when his helicopter crashed over the French Riviera in 1986, writes Tom Burns.

Left effectively leaderless when the Aristrain heirs showed little interest in managing it, the property looked even more inviting when the Spanish steel market picked up strongly that same year.

Now it is set to become the beachhead in British Steel's strategy to establish a manufacturing base in continental Europe.

Buying into the 2,000 employee company, which last year returned profits of Ptasbn (€37m) on a Ptas60bn turnover, was not an easy matter, especially for a foreign company. For the better part of this year

there have been conflicting reports over British Steel's bid as Mr Claudio Aranzadi, Spain's Industry Minister, fought a rearguard action to prevent the deal.

Finally success came in what could turn out to be a casebook example for foreign companies seeking to enter sectors that are considered sensitive by the Madrid administration: British Steel hitched its bid to Banco Español de Crédito, Banesto, which will take a similar 40 per cent stake to the UK company, leaving the 20 per cent balance of the equity in the hands of the Aristrain family.

The arrangement with the Spanish bank, via the latter's industrial holding conglomerate Corporación Banesto, takes the sting out of the acquisition as far as the Industry Minister is concerned.

"We couldn't oppose British Steel buying into Aristrain and

Aristrain's owners are perfectly free to sell to whom they chose," explained a senior ministry official yesterday. "But we would have preferred a wholly Spanish arrangement."

The ministry in fact attempted a counter-bid for the family-owned company by a consortium of Spanish steel companies which was to have been led by the state-owned producer Ensidesa. The attempt failed because it could not match the kind of price that the Aristrain heirs were seeking.

With Banesto's conglomerate as a partner in the deal British Steel has gained itself a powerful ally. Mr Mario Conde, Banesto's chairman, said yesterday that he had been determined to buy into the Basque-based producer - "it is a good company, with a good cashflow and with good potential" - and he stressed that the value of the acquisition had been

increased because it was a joint venture with British Steel.

The Industry Ministry, which was more than uneasy about an outright purchase by British Steel, has been somewhat mollified by Banesto's presence.

As a further sweetener it now appears that both Banesto and British Steel will relinquish 5 per cent each of their equity in favour of Ensidesa. This is an intelligently diplomatic move that should set in motion a series of marketing agreements between Aristrain and the rest of the Spanish steel industry, both private and public.

British Steel's interest in Aristrain was, in the last analysis, opposed by the Industry Ministry not just because it was a foreign intruder, but because real concern centres on the fractured state of the steel industry in Spain.

This announcement appears as a matter of record only

# GEBR. LANG GMBH PAPIERFABRIK DM400,000,000 Bridging Facility

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Papierfabrik Albbbruck  
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Commerzbank Aktiengesellschaft  
Deutsche Bank Aktiengesellschaft, London Branch  
Dresdner Bank Luxembourg S.A.  
The Toronto-Dominion Bank  
Union Bank of Switzerland  
Barclays Bank PLC  
Bayerische Vereinsbank International S.A., Luxembourg  
Swiss Bank Corporation  
M. M. Warburg-Brinckmann, Wirtz & Co

Agent  
**Union Bank of Finland Ltd, London Branch**

June 1990

## ALLIANCE INTERNATIONAL TECHNOLOGY FUND SICAV Registered Office: Luxembourg, 14, rue Aldringen Commercial Register: Section B 21.278

### NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of Alliance International Technology Fund SICAV, will be held at 2.30 pm (Luxembourg time) on Friday, July 27, 1990 at the office of Banque Generale de Luxembourg, 14, rue Aldringen, Luxembourg for the following purposes:

1. To approve the auditors' report and audited financial statements for the fiscal year ended March 31, 1990
2. To approve the annual report of the Fund for the fiscal year ended March 31, 1990
3. To approve the payment of a dividend payable to shareholders of record on July 27, 1990.
4. To elect the following persons as Directors, each to hold office until the next Annual Meeting of Shareholders and until his or her successor is duly elected and qualified:

David H. Dwyer  
Klaus Kiesel  
Kishio Kasai  
Tadeo Oda  
Glen Wolfman  
Dave H. Williams  
John M. Williams

5. To appoint Ernst & Young as independent auditors of the Fund for the forthcoming fiscal year.
6. To transact such other business as may properly come before the meeting.

Only shareholders of record at the close of business on June 13, 1990, are entitled to notice of, and to vote at, the Annual General Meeting of Shareholders and at any adjournments thereof.

The Board of Directors

## NATIONAL BANK OF CANADA

US\$ 50,000,000  
Floating Rate Deposit Notes due July 1991

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the interest period from July 17, 1990 to January 17, 1991 the Notes will carry an interest rate of 9 1/4% per annum. The interest payable on the relevant interest payment date, January 17, 1991 will be US\$ 218.82 per US\$ 5,000 Note.

The Agent Bank  
**KREDIETBANK**  
S.A. LUXEMBOURG

## HYOSUNG (AMERICA), INC

US\$ 30,000,000 GUARANTEED  
FLOATING RATE NOTES  
DUE 1991

UNCONDITIONALLY AND  
IRREVOCABLY GUARANTEED  
BY HYOSUNG CORPORATION  
AND TONGYANG  
NYLON CO., LTD.

In accordance with the provisions  
of the Floating Rate  
Notes, notice is hereby given  
as follows:

Interest period: 17th July,  
1990 to 17th January, 1991  
Interest payment date:  
17th January, 1991  
Interest rate: 8.5625% p.a.  
Coupon amount:  
US\$ 10,940.97 per Note of  
US\$250,000

BANQUE INTERNATIONALE  
A LUXEMBOURG  
Société Anonyme  
AGENT BANK

## Den Danske Bank

AF/1871 AS

¥4,000,000,000

Floating Rate Notes

Due 1994

Notice is hereby given that the Rate  
of Interest for the Interest Period  
from 19th July, 1990 to 19th  
January, 1991 is 6.99% per  
annum. Interest payable on 22nd  
January, 1991 will amount to  
¥332,373 per ¥10,000,000  
principal amount of the Notes.

Agent Bank  
The Long-Term Credit Bank  
of Japan, Limited  
Tokyo

US\$100,000,000

## MARINE MIDLAND BANKS, INC

FLOATING RATE  
SUBORDINATED CAPITAL NOTES  
due 1999



For the three months 19th July 1990 to 19th October  
1990 the Note will carry an interest Rate of 8 1/4% per  
cent per annum with a Coupon amount of US\$215.63  
per US\$10,000. Interest payment date 19th October  
1990.

HONGKONGBANK LONDON LIMITED  
INTEREST DETERMINATION AGENT

## FIRST AUSTRALIA PRIME INCOME INVESTMENT COMPANY LIMITED

International Depository Receipts (IDRs)

Issued by  
Morgan Guaranty Trust Company of New York

Notice is hereby given to the Shareholders that:

Payment of coupon No. 21 of the International Depository Receipts will be made in US  
dollars on or after July 20th, 1990 at the rate of US\$ 0.0002 per IDR (plus interest) to the  
following offices of Morgan Guaranty Trust Company of New York:

- New York, 33 West Broadway
- Buenos Aires, 26 Avenue des Arts
- London, 1, Abchurch Lane
- Frankfurt, 66/68, Mainzer Landstrasse

The dividend is not subject to any Australian tax. The dividend withholding tax will be  
applied to the IDRs holders presenting their coupons to the office of the Depository without  
the appropriate tax resident certificate.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK  
ISSUING OFFICE, AS DEPOSITORY



Nationwide  
Anglia

£80,000,000

## Nationwide Anglia Building Society

(Incorporated in England under the Building Societies Act 1966)

Subordinated Floating Rate Notes due July 1999

For the three months 17th July, 1990 to 17th October, 1990 the Notes  
will carry an interest rate of 15.59375% per annum with a coupon amount  
of GBP 393.05 per GBP 10,000 Note, payable on 17th October, 1990.

Listed on the Luxembourg Stock Exchange

Bankers Trust  
Company, London

Agent Bank







## Oryx Gold Holdings Limited

(Incorporated in the Republic of South Africa - Company Registration No. 860190001)  
Share capital: Stated - 587 600 100 ordinary shares of no-par value  
Issued - 165 000 200 ordinary shares of no-par value

Report for the quarter ended 30 June 1990

	Quarter ended 30.06.1990 R'000	Quarter ended 31.03.1990 R'000	Year to date 01.09.1989 to 30.06.1990 R'000
<b>INCOME STATEMENT</b>			
Income	10 777	10 257	29 544
Interest received	10 765	9 922	26 961
Financing costs	198	102	478
Sundry expenditure	(198)	233	177
Income before taxation	1 311	133	1 509
Taxation	(1 497)	100	(1 332)
Income after taxation	13 121	13 212	12 856
Retained income at beginning of period	11 624	13 121	11 624
Retained income at end of period			
<b>BALANCE SHEET</b>			
Capital employed			
Share capital	621 093	621 093	621 093
Retained income	11 624	13 121	11 624
Long-term liabilities (note 1)	632 717	634 214	632 717
Deferred taxation	708	787	708
Employment of capital			
Fixed assets	424 526	424 526	424 526
Loan to St. Helena Gold Mines Limited	474 398	414 785	474 398
Net current assets (liabilities)	2 063	17 392	2 063
Current assets	5 278	18 721	5 278
Debtors and prepayments	5 629	9 980	5 629
Cash and deposits	449	9 741	449
Current liabilities	4 195	1 419	4 195
Creditors	2 726	1 341	2 726
Provision for taxation	1 469	78	1 469
	901 597	856 614	901 597

### NOTE:

1. Long-term liabilities

includes a Eurodollar loan of \$25 million, which is fully covered.

REMARKS:  
(i) The figures are unaudited.  
(ii) The report has been approved by the board.  
(iii) The attention of shareholders is also drawn to the quarterly report of the Oryx mine which appears elsewhere in this edition.

Registered and head office  
General Mining Building  
6 Holland Street  
Johannesburg 2001  
(PO Box 61620, Marshalltown 2107)

London office  
Gencor (UK) Limited  
30 Ely Place  
London EC1N 6UA

By order of the board  
General Mining, Metals and Minerals Limited.  
Secretary:  
Per: D J D Ross  
Manager: Administration and Secretarial Services  
Johannesburg  
18 July 1990

Transfer offices  
South Africa:  
Central Registrars Limited  
154 Market Street  
Johannesburg 2001  
(PO Box 4944, Johannesburg 2000)

United Kingdom:  
Barclays Registrars Limited  
6 Greencoat Place  
London SW1P 1PL



Copies are available from the London office

## Beatrix Mines Limited

(Incorporated in the Republic of South Africa - Company Registration No. 728213850)  
Share capital: Authorised - 150 000 000 ordinary shares of no-par value  
Issued - 85 000 000 ordinary shares of no-par value

Report for the quarter ended 30 June 1990

	Quarter ended 30.06.1990 R'000	Quarter ended 31.03.1990 R'000	Year to date 01.09.1989 to 30.06.1990 R'000
<b>INCOME STATEMENT</b>			
Income	1 539	2 207	6 082
Interest received	15 462	16 448	53 165
Royalty	10 000	14 000	47 000
Dividends	27 001	32 856	106 247
Interest paid and sundry expenditure - net	129	105	479
Income before taxation	26 872	32 491	105 766
Taxation	8 442	9 245	29 390
Income after taxation	18 430	23 246	76 376
Retained income at beginning of period	17 833	37 087	2 385
Distributable income	36 263	60 333	78 763
Dividends declared	—	42 900	42 900
Retained income at end of period	36 263	17 833	36 263
<b>BALANCE SHEET</b>			
Capital employed			
Share capital	131 468	131 468	131 468
Retained income	36 263	17 833	36 263
Employment of capital			
Fixed assets	77 843	77 843	77 843
Loan to Buffelsfontein Gold Mining Company Limited	49 111	49 111	49 111
Net current assets	126 954	126 954	126 954
Current assets	40 775	22 346	40 775
Current liabilities	52 714	68 090	52 714
	11 539	45 745	11 539
	167 728	149 239	167 728

REMARKS:  
(i) The figures are unaudited.  
(ii) The report has been approved by the board.  
(iii) The attention of shareholders is also drawn to the quarterly report of the Beatrix mine which appears elsewhere in this edition.

Registered and head office  
General Mining Building  
6 Holland Street  
Johannesburg 2001  
(PO Box 61620, Marshalltown 2107)

London office  
Gencor (UK) Limited  
30 Ely Place  
London EC1N 6UA

By order of the board  
General Mining, Metals and Minerals Limited  
Secretary:  
Per: D J D Ross  
Manager: Administration and Secretarial Services  
Johannesburg  
18 July 1990

Transfer offices  
South Africa:  
Central Registrars Limited  
154 Market Street  
Johannesburg 2001  
(PO Box 4944, Johannesburg 2000)

United Kingdom:  
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## INTERNATIONAL COMPANIES AND FINANCE

# Powering into a window of opportunity

Gita Piramal on private-sector plans for the electricity generation business in India

Sometimes market savvy, political insight and good planning combine to create the perfect business opportunity, and RPG Enterprises' entry into the Indian power sector has the potential to become a classic example of this.

India's fourth-largest business house is proposing to invest Rs20bn (\$1.16bn) in power generation and distribution over the next few years. The move comes in the wake of big changes being introduced by the Indian Government in its power policy.

According to the change of policy announced a month ago, the private sector can enter the power generation industry, an area which had previously been reserved for the public sector.

The new policy also offers several incentives in an attempt to reduce expected power shortages to up to 30 per cent in some areas during the country's eighth five-year plan running to 1995.

While other Indian business houses are still mulling over the new policy, RPG Enterprises has announced its willingness to build a Rs5bn, 500MW power station at Budge Budge near Calcutta and a Rs10bn plant also of 500MW split into two units at Chandil and Bokaro in the state of Bihar.

"The new policy is a welcome step, though one wishes that it could be made a little more attractive as far as the permitted returns on loans is concerned," says Mr Sanjiv Goenka, vice chairman of RPG, a diversified Rs17bn business house with interests in tyres, pharmaceuticals and computers.

Mr Goenka is one of the few Indian businessmen to have shown consistent interest in the power sector. The cornerstone of an ambitious plan was the takeover in April last year of the Calcutta Electric Supply Corporation, a problem-riddled, power generating company in the state of West Bengal.



Sanjiv Goenka: consistent interest in the power sector

The acquisition attracted enormous controversy, becoming a test case for the privatisation of loss-making public sector units.

There was also an element of irony in that communist-controlled West Bengal should take the lead in the privatisation of power.

"It was the first state to follow perestroika, though nobody called it by that name," says Mr Goenka, who is an admirer of Mr Jyoti Basu, the state's Marxist chief minister.

RPG had also acquired KEC International, a power transmission company, in 1985 and negotiated a deal with Raychem of the US.

Asian Cables, an existing group company which manufactures cables, is being revitalised and two new cable companies, Upcom Cables and Karnataka Cables, have been created.

Power and power-related companies contribute 40.5 per cent to the group's total sales. The group's ability to take advantage of the Government's new policy is strengthened by the fact that its acquisitions cover almost the entire gamut from power generation to transmission towers and cables.

"CEEC needs to lay more than 25km of 132 kilovolt underground transmission

cables in a major overhaul of the network connecting its various sub-stations," says Mr Goenka. "In Asian Cables we can manufacture such cables."

However, it is not going to be easy tugging around the 33-year-old CEEC. Its problems include a restless labour force, heavy borrowings and outdated machinery.

So far, attempts to deal with these have simply scraped the surface. The company had barely inaugurated the first of two 67.5MW units, part of a Rs2.5bn replacement project, when the entire eastern grid tripped, plunging Bengal into darkness for 24 hours last month.

According to an unworried Mr Goenka: "Once the proposed new thermal stations come on stream, the position will improve considerably." Possibly it is this attitude which enabled the group to become India's fastest growing business house, jumping from 13th position to fourth within a year.

## CSR issues profits warning

By Kevin Brown in Sydney

CSR, the Australian sugar and building products group, will be unable to maintain the rapid profits growth of recent years, Mr Alan Coates, chairman, said yesterday.

"We must accept that the high interest rate regime in Australia, and fiscal policies at state level in the US, will result in flat to declining expenditure on housing and commercial and civil construction in both countries this year," Mr Coates told the group's annual meeting.

He said profits from the sugar division would also fall because of increased competition in New South Wales, the biggest Australian market, and higher imports.

However, the impact would be partly offset by the current large price differential between raw and refined sugar which was likely to continue for the rest of this year and would benefit the group's milling operations.

The company was unlikely

to make any large acquisitions in the near future, and would concentrate on "trimming any remaining fat" following a restructuring last year, Mr Coates told shareholders.

"It is unlikely to be a year in which we make a large acquisition, unless of course, we find an opportunity too good to miss, and it is fair to say that such opportunities are never thick on the ground."

CSR warned, at the time of its profits announcement for the year to March, that growth in profit this year would be more difficult to achieve in the face of a slowdown in world economic growth, and a lower level of housing and commercial construction in Australia and the US.

The group reported a 33 per cent increase in net profits for the year to A\$406.9m (US\$313m). It spent more than A\$1.5bn last year in expanding its building and construction materials operations, including the acquisition for A\$335m of

all the subsidiaries of ABC America Corporation from Hanson Industries.

The deal made CSR a significant force in the US construction materials industry, following the US\$515m purchase of Rinker Materials Corporation in Florida and the earlier acquisition of several other US building materials companies.

CSR faces continued losses from its 49 per cent-owned plasterboard venture in Britain, Mr Coates said. Although sales from the Redland Plasterboard venture had exceeded expectations, the UK market had overcapacity, leading to severe competition. "Acceptable profits will only be made when prices recover and the level of total demand improves. Short-term prospects are not good and losses are continuing," Mr Coates said.

CSR's stake in the venture, which has a book value of A\$152m, contributed a loss of A\$12m in the March year, according to the annual report.

## Brierley raises holding in Carter Holt to 9%

By Our Financial Staff

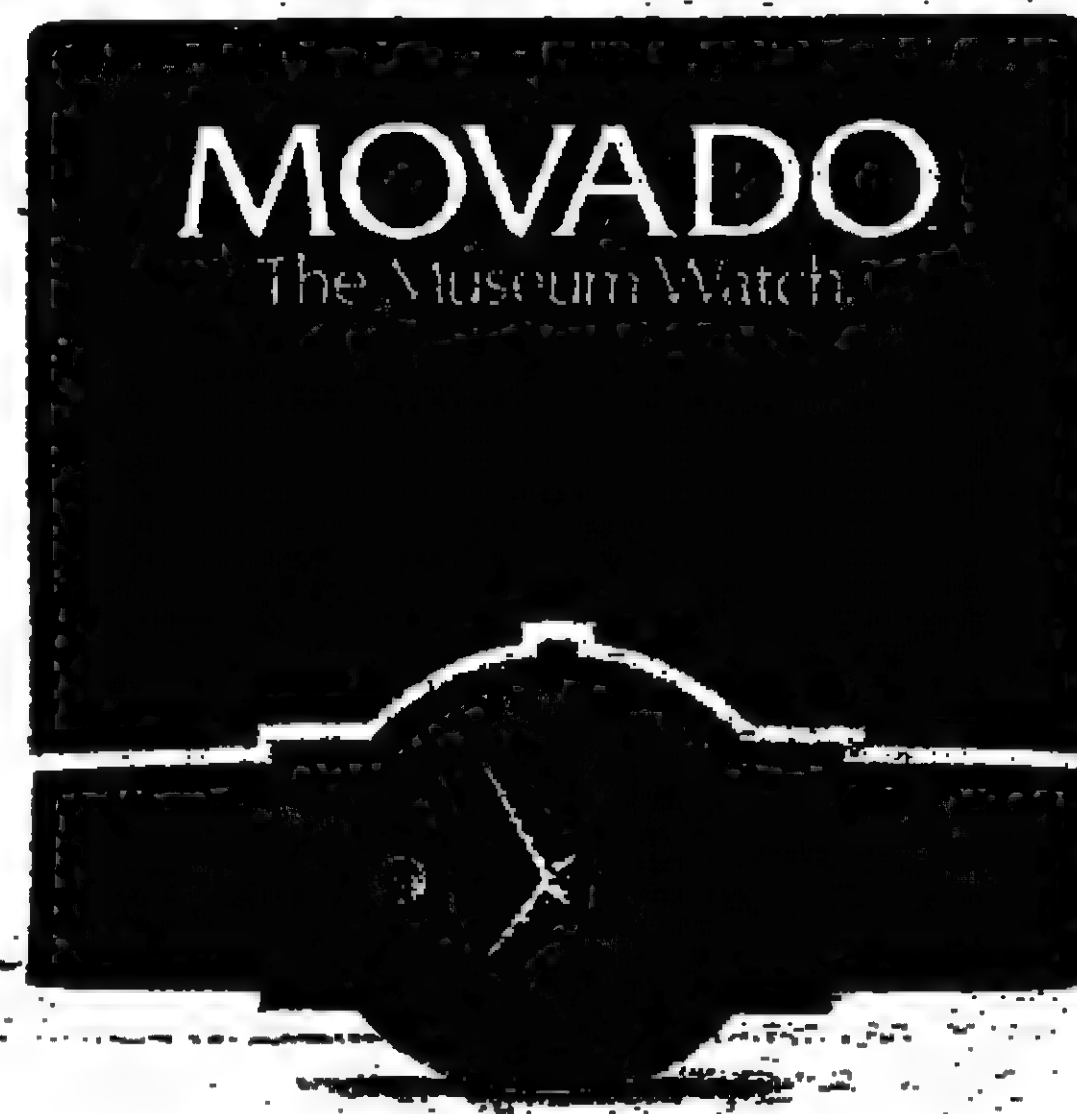
BRIERLEY Investments (BIL), the entrepreneurial New Zealand group, is boosting its stake in Carter Holt Harvey, the expanding local forestry company, to 9 per cent and may double this to nearly 19 per cent under a deal with Mr Richard Carter, its chairman, and his brother Kenneth.

Last month Carter Holt agreed to pay NZ\$822m (US\$486.39m) for 52 per cent of BIL during December at NZ\$3.10, which would take control of Elders Resources

NZFP, previously an offshoot of Australia's Elders Ltd.

Kronrod, the Carters' family company which holds 30.8 per cent of Carter Holt, is raising NZ\$85m by selling BIL 31m shares, or some 4.8 per cent.

The NZ\$3.85 price is at the 8.5 cent final dividend due next month. Kronrod also has an option to sell up to 45m shares to BIL during December at NZ\$3.10, which would take BIL's holding to 18.8 per cent.



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## BNZ will expand in Australia

By Terry Hall in Wellington

BANK OF New Zealand is committed to expanding its operations in Australia after recent setbacks there, Mr Syd Pasley, the chairman, told yesterday's annual meeting.

He was referring to reports showing that BNZ is a substantial lender to Australian entrepreneurial companies, some of which had failed. Mr Pasley said BNZ was committed to becoming a strong regional bank in both Australia and New Zealand.

Mr Pasley acknowledged there were problems facing the Australian banking industry. "However, the BNZ, in the massive restructuring we have been undergoing, has already addressed these problems. We're much more comfortable there," he said. As a result BNZ was facing "substantially

less of a loss in Australia than might otherwise have been the case."

In deciding to concentrate on Australia and New Zealand, Mr Pasley said the bank had negotiated the sale of non-core activities, and had withdrawn from the Pacific, selling its operations in Fiji and Tonga, and its 50 per cent shareholding in Bank of Western Samoa.

Mr Pasley said that 12 months ago, BNZ was in a state of crisis, having to report losses of NZ\$635m (US\$388.4m), make provisions for NZ\$1.2bn in bad and doubtful debts, and face capital adequacy problems. However, 1990 was a watershed for the bank, as it had reassessed control of its operation, and faced up to a competitive environment. He emphasised that the

profit of NZ\$121m for the latest year to March had to be seen as transitional, with the final-stage business growth yet to come.

Mr Pasley said that while it was too early to forecast profit for the year, the first three months of trading were looking very positive, and were close to budget for the full year. The main concern was the New Zealand economy which remained uncertain at best.

A general election due in October was blurring the application of longer-term government policies and was leading to a deferral of investment decision-making. It was expected that margins would continue to tighten. Further restructuring was inevitable as banks struggled to reduce costs and maintain profitability.

## Falling gold price hits Gencor

By Philip Gawth in Johannesburg

SOUTH Africa's Gencor group has reported that net profit in the three months to June was down 12.5 per cent at R107.7m (\$40.95m) from the previous quarter at its 11 gold mines, as a result of a slide in the rand-denominated gold price.

Mr Gary Maude, managing director of the group's Gengold gold division, said yesterday he was pleased and somewhat surprised at how well the mines had performed, given the tough times the industry was experiencing.

He pointed out that no relief was in sight as the average gold price for the first two weeks of the third quarter was some R1,000 a kg less than the already low second-quarter figure of around R32,000.

Gengold, with its high proportion of marginally profitable producers, has for some time pursued a policy of "more from less" - producing more

gold by milling lower tonnages, but focusing on higher yielding ore. Thus the tonnage milled for the quarter was 1.5 per cent down and yields 0.4 per cent improved.

The group has also kept an exceptionally tight rein on costs, which were 2.5 per cent up for the quarter and only 6.5 per cent higher year on year. Mr Maude noted that Gengold's workforce had shrunk from 93,775 at the end of June 1989 to 71,087 two years later.

He was blunt about a main reason for this, saying: "Some of the retrenchments at the moment are a direct result of the 16 per cent pay increase awarded recently. The bigger the increases awarded, the more people that are put out of work."

Stillfontein, West Rand Cons and Grootevlei all made a working loss for the quarter, but the latter two mines were pulled

into the black by sundry revenues. Stillfontein, however, showed an after-tax loss of R338,000 against a profit of R131m. Mr Maude, however, said: "There is good reason to hope that Stillfontein mine can be made profitable at the present gold price."

He noted three grounds for optimism: the fact that the Ventersdorp contact reef was not well explored; significant scope for reduction in costs at the mine; and indications that there might be some previously undiscovered Vaal reef on the property.

Winkelhaak, Kinross, Beatrix, Buffelsfontein and Unisel, the larger mines in the group, all performed well, Unisel in particular after a poor first quarter.

Mr Maude was also optimistic about the prospects at Weltevreden and Oryx, the group's two developing mines.

**INVESTORS IN INDUSTRY GROUP PLC.**  
Inc. in England under the Companies Acts 1948 to 1987, Reg. No. 1142830

**£75,000,000 Floating Rate Notes 1994**  
For the three month period 17th July, 1990 to 17th October, 1990.

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 15% per cent. per annum and that the interest payable on the relevant interest payment date, 17th October, 1990, against Coupon No. 24 will be £1,906.16 from Notes of £50,000 nominal and £190.62 from Notes of £5,000 nominal.

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Notice is hereby given to the holders of the above notes that effective from 28th July 1990, Toyomenka Finance (Netherlands) B.V. changed its corporate name to Tomen Finance Nederland B.V. and the commercial registration of such change was made on 14th March, 1990 in Amsterdam.

The notes will not be stamped or exchanged. Instead they will remain listed on the Luxembourg Stock Exchange under Toyomenka Finance (Netherlands) B.V. followed by the new name Tomen Finance Nederland B.V.

All further notices regarding the above reference issue will refer to both names.

A supplementary legal notice as well as the articles of association of Tomen Finance Nederland B.V. has been registered with Griffier en Chef du Tribunal d'Arrondissement de la Luxembourg.

18th July, 1990

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Agents: Morgan Guaranty Trust Company  
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Agents: Morgan Guaranty Trust Company  
JP Morgan

**PERSONAL COMPUTERS & SOFTWARE**

The Financial Times proposes to publish this survey on:

**25th September 1990**

For a full editorial synopsis and advertisement details, please contact:

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## INTERNATIONAL CAPITAL MARKETS

## High-yield US bond aimed at UK investors

By Stephen Fidler, Euromarkets Correspondent

SAUDI International Bank has launched a high-yield US bond fund aimed at institutional investors in the UK.

It is the second high-yield fund launched by Saudi International, a long-time investor in the junk bond market. The fund, the Falcon High Income Fund, will be a Guernsey-based open-ended fund, designed to allow investors in and out with two weeks' notice.

The fund is aiming to be about \$50m, and will charge fees related to its performance. However, the aim is to be a selective investor in at most 20-30 issues.

The bank's previous fund, the Saudi International High Yield Fund, was launched in November, attracting total investments of \$27m. The fund is at a premium of 104%.

Sharp falls in junk bond prices since early last year have led to a selective revival of international institutional interest. CS First Boston is marketing a \$250m high-yield bond fund to institutions in the UK, while Salomon Brothers is also said to have a high-yield fund planned.

## Samba up 36% in first half

By Victor Mallet

SAUDI American Bank (Samba) yesterday reported a 36 per cent rise in net income for the first half of 1990, underlining the brighter trend in Saudi banking profits over the last year.

Net income rose to \$253.5m from \$186.9m in the same period last year. Operating income rose to \$287.7m from \$240.9m and the bank cut its transfers to reserves to \$834.1m from \$854.0m.

In common with several other joint venture banks, Samba, 40 per cent owned by Citicorp, has been able to tackle the bad debt problems which have plagued the banking system and to start cutting the amount of its annual provisions. Samba has deployed a special remedial management group to retrieve difficult loans.

Mr Mehil Mistr, managing director, said firm control over expenses, together with strong performances from all the bank's areas of business had contributed to the profit increase.

"The bad debt problem is substantially behind us," he said. "We are more than well provided for any contingencies that may occur in the future."

Samba's assets rose to \$815.5m from \$811.4m, with loans and advances up to \$854.0m from \$854.0m.

## Rashid Hussain to acquire 20% stake in D&amp;C

By Our Financial Staff

RASHID HUSSAIN, the listed Malaysian stockbroker firm, is to pay \$250m for a 20 per cent stake in the local development and commercial bank and is launching a three-for-five rights issue to help pay for the purchase.

United Industrial Corporation, the Singapore investment company, is selling the stake which it bought for M\$166.7m only 15 months ago.

UIC is raising funds to cover the cost of its recent acquisition of Singapore Land, the island's biggest property group.

It said yesterday the D&C disposal would bring it a gain of \$854.6m.

The shares are being sold at M\$2.20 a share compared with a current market price of M\$2.45.

The Rashid Hussain rights issue, aiming to raise M\$176.4m, is priced at M\$3.50, against a market price of M\$4.20.

Although a link to the bank may lead to cross-marketing and co-operation in arranging finance for brokerage clients, there was no immediate indication yesterday that such ventures were being planned.

Rashid Hussain made pre-tax profits of M\$30.1m in the year to May 29, nearly double the M\$15.3m of the previous year.

It is forecasting earnings of M\$30.8m in the current year after the acquisition and rights issue.

D&C, with assets of M\$5.1bn at the end of 1989, operates 36 bank branches and 12 finance company branches.

The deal requires approval by Malaysian regulatory authorities and Rashid Hussain shareholders.

## Treasuries lose ground as inflation disappoints

By Janet Bush in New York and Deborah Hargreaves in London

US Treasury bonds took a double hit yesterday, falling after a higher than expected rise in consumer prices in June and then extending their losses as the market digested the semi-annual Humphrey-Hawkins testimony before Congress by Mr Alan Greenspan, chairman of the US Federal Reserve.

## GOVERNMENT BONDS

In late trading, short-dated maturities were quoted only around a point lower while the Treasury's benchmark long bond, which had fallen a full point at one stage, stood a point down for a yield of 8.54 per cent.

The consumer prices index rose 0.4 per cent in June or at a compound annual rate of 6.7 per cent.

Mr Greenspan said this gain was higher than he had hoped for but said he would be surprised if there wasn't a fall in the CPI in July.

Inflation was the prime topic of interest in the Treasury market yesterday. In a wealth of testimony on monetary policy, the bond market picked out for most attention the fact that the Fed has raised its inflation estimate for this year to a range between 4.5 per cent and 5 per cent this year compared with a range of 4 per cent to 4.5 per cent estimated in February.

This was taken by fixed income economists as a sign that the Fed may be willing to sacrifice higher inflation in aid of maintaining growth.

Mr Greenspan said yesterday that, although the risks of recession were low, they were somewhat higher than perceived earlier this year and a "shade larger" than the risk of an upturn in inflation.

He told the Senate Banking Committee the current curtailment of bank credit might be beginning to have "very real unwelcome effects" on the economy and said that the Fed would monitor the situation to maintain stable credit conditions.

This suggested the Fed would be prepared to ease money again.

Mr Greenspan confirmed the Fed had lowered its target for

Federal Funds to 8 per cent at the end of last week from the 8 1/2 per cent which has prevailed for most of this year.

Domestic buying of cash bonds led a 1/2-point rally in the German bond market yesterday, analysts said, after a flat producer prices index for June reassured investors that inflationary pressures were not growing.

In addition, concerns about supply have eased a touch, now that the next Bund issue will not emerge until next month, followed by the next Unity bond. "Any delay in supply will give a boost to the market," said Mr Andrew Dennis, an analyst at Chase Investment Bank. The Unity bond is now trading flat to the Bund.

Meanwhile, the tone of the bond market was also improved by a generous allotment of repurchase agreements, which caused call money rates to ease. Domestic buying centred on five and seven-year bonds, as investors took advantage of the lull in that area of the yield curve.

The yield on the 10-year Bund fell 10 basis points to 8.38 per cent, while the 10-year future on the London International Futures Exchange gained 1/4 point to end round 85.42. The French bond market lost its initial impetus and again under-performed the German market. The 10-year future contract on the London International Futures Exchange ended at 103, up 1/4 point.

primary dealers covered short positions, traders said.

Some dealers are anticipating a 1/4 point cut in the Bank of France's key intervention rate today, when it conducts its repurchase agreements. But analysts are sceptical on the grounds that this would place excessive pressure on the franc given the current strength of the peseta and the lira.

Sterling's break through the DM3 level in early trading provided an initial boost for the gilt market. But the currency failed to hold that level and interest in gilts faded, as the prospect of further gilt issuance later this year lingered in the wake of Tuesday's public borrowing data. Prices ended little changed on the day.

The market is now unlikely to find a new trading range this week. June trade figures are due for release next Monday, which "could be the next make or break day," said Mr Chris Anthony, an economist at UBS Phillips & Drew.

Sanwa Bank is to merge its two wholly owned London subsidiaries early next month into one company. The company will manage both banking and securities operations. Reuter reports from Tokyo.

The new company is to be called Sanwa International and will be capitalised at \$120m. It will be formed from the merger of Associated Japanese (International) and Sanwa (International). The move is aimed at creating a stronger framework in the UK, Sanwa Bank said.

London closing, "denotes New York closing session. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Closing prices on July 18

Technical Data/ATLAS Price Sources

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July 1990

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July 1990

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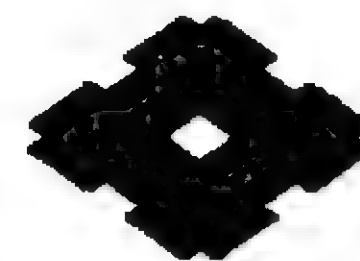
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Sumitomo Finance International

July 13, 1990

\* No information available - previous day's price

\* Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the 30-day price; the amount issued is in millions of currency units. Ctg. day = Change on day.

FLATTING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown in minimum. Spread - Margin above 30-month offered rate (three-month below) for US dollars. Coupon - The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Ctg. price - Nominal amount of bond per share expressed in currency of share at conversion rate listed at issue. Price - Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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## UK COMPANY NEWS

## Perrier's problems rebound on cider maker

## Bulmer below estimates with £12m

By Philip Rawlinson

THE WITHDRAWAL of Perrier water and production problems which led to the recall of its one-litre bottles hit profits at HP Bulmer, the Hereford-based cider maker.

Bulmer, which distributes Perrier in the UK, yesterday reported lower-than-expected pre-tax profits of £12.9m for the year ended April 27 1990, 14 per cent up on the previous year's £10.5m.

Analysts estimated that the problems had reduced the company's profits by more than £1m.

Mr John Rudgard, group managing director, said yesterday that the reintroduction of Perrier had got off to a good start but it was likely to be some time before the number of stockists reached former levels.

Operating profits increased by 25 per cent to £17.8m (£14.9m) on turnover nearly 16 per cent ahead at £226.4m (£195.9m).

In a record year for cider consumption, Bulmer's cider

sales out-performed the 9 per cent market growth. Operating profits from cider and fruit juices were 32 per cent higher at £10.13m.

Mr Edmund Bulmer, chairman, said: "The decision to invest more money behind our leading brands, Strongbow and Woodpecker, is beginning to show results."

With sales since the turn of the year showing a 10 per cent increase on the 1989 period, Mr Bulmer added: "We now feel that the underlying trend in the cider market is upward."

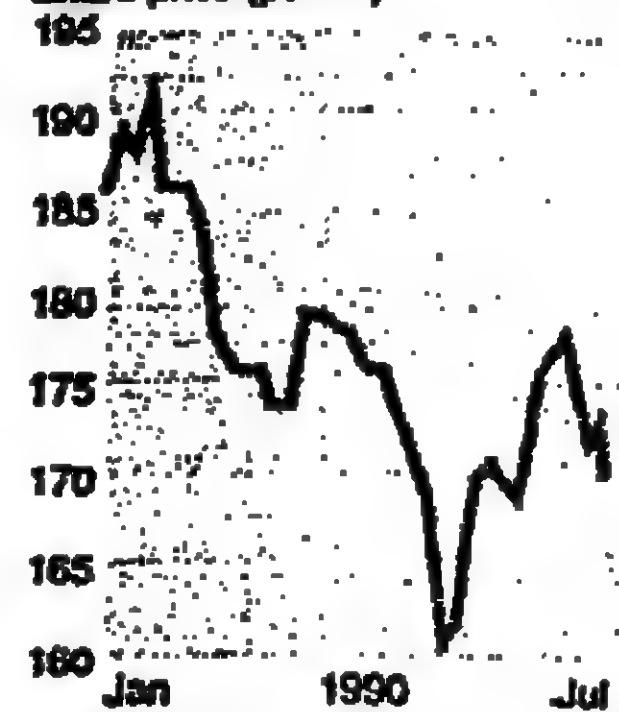
The company had substantially increased its sales and distribution force to take advantage of the free market, he said, and first results were encouraging.

The sale of the group's Valencia juice business in Australia yielded a £12.8m extraordinary gain and helped to reduce borrowings. Net indebtedness at the year end was £2.4m, representing 14 per cent of shareholders' funds.

Earnings per share rose 25

## Bulmer

Share price (pence)



per cent from 10.33p to 13.95p. A recommended final dividend of 4.77p brings the total to 7.65p, an increase of 10 per cent.

## COMMENT

Perrier may dilute Bulmer's profit performance for longer than expected - perhaps until Sainsbury's demands for rebelling are satisfied - but the

core business looks strong. Bulmer's strategy of investing more money in marketing its cider - £14.5m this year - and praying for more sunshine to encourage its consumption is still paying off in increased sales.

Draught Strongbow volumes are currently running 19 per cent ahead of a year ago. Its soft drinks brands, Orangina and Kirri, are making progress and should benefit from the introduction of diet versions.

New plant due to become operational later this year will help the group take advantage of the worldwide demand for pectin. Management focus on these central activities has been sharpened by the withdrawal from the UK wines and spirits market and the disposal of its Australian fruit juice business.

Analysts expect profits for the current year of between £13.8m and £14.5m, with earnings per share of 15.1p to 15.8p giving a prospective p/e ratio of about 11, in line with the market.

## Ansbacher more than doubles to £5.1m

By David Lascell, Banking Editor

HENRY ANSBACHER, the merchant banking group where a controlling stake is currently up for sale, yesterday reported pre-tax profits of £5.1m for the half year ended June 30.

That was more than double the £2.2m returned for the first half of the previous year, which was depressed by special factors. For the whole of the 1989 year, Ansbacher earned £10.14m.

Mr Richard Fenhalls, chief executive, said that the bulk of profits had come from the group's offshore trust banking business as well as its London banking operations. Other areas of operations, such as mergers and acquisitions, had done less well.

Merchant banking disclosed a result of £4.5m (up from £2.2m). Other group income amounted to £1.7m (£1.1m). Central costs were £1.2m (£900,000).

The controlling stake of 62 per cent has been put up for sale by the group interests of Pargesa, Groupe Bruxelles Lambert and Banque Internationale d'Investissement.

A sales memorandum has been dispatched to a number of would-be purchasers and expressions of interest are expected next week.

The list includes institutions from the US, Canada, the Far East, Japan, Europe and Scandinavia. The sale is expected to be concluded by the end of September.

## Store increases help Cityvision advance by 81% to £8.37m

By Vanessa Houlder

CITYVISION, owner of the UK's biggest chain of video hire stores, increased pre-tax profits by 81 per cent from £4.62m to £8.37m for the six months to May 31. Turnover more than doubled from £16.89m to £35.61m.

Like-for-like growth in the video hire store contributed a 5 per cent increase in turnover. The rest stemmed from an increase in the number of film hire stores - up from 505 last November to stand now at 775 - helped in equal measure by acquisitions and new store openings.

Mr Terry Norris, managing director, said he was confident about growth prospects in the second half. He said that the highly fragmented UK video hire market continued to offer opportunities and wider ownership of video recorders was increasing its customer base.

Mr Norris said that Cityvision, which already has a market share of 15 per cent, had set itself a target of 1,500

stores, or about 30 per cent of the market. The company, which has been expanding at a rate of five to seven stores a week, intends to slow down its rate of growth over the next few months to concentrate on refurbishment.

Cityvision, which currently has a turnover of £1m on video "sell-throughs" - the outright purchase of films - is considering a major expansion of this side of its business if a trial store proves successful.

The company is also planning a venture in continental Europe in the next six months. Videocore and Tredegar Home Entertainment, which supply videos to retailers, increased their market share.

Following the company's £25m rights issue in February, the company has no borrowings and £7m in the bank.

Mr Norris said that the Uniform Business Rate was expected to increase costs by 1 per cent of turnover over the next five years.

Fully diluted earnings per

share increased from 2.68p to 3.87p. The dividend was doubled from an adjusted 0.25p to 0.5p.

## COMMENT

After a spectacular six-fold rise in 1988 and 1989, Cityvision's shares have shed 25 per cent of their value in the course of this year. Blame can be cast on the poor take-up of its rights issues, the woes of other video-related stocks and - perhaps most important - the way in which fast-moving, ambitious retailers have dropped out of fashion. But Cityvision, which now stands on a p/e of 10, assuming pre-tax profits of £23m and a share price of 109½p, does not look expensive. Admittedly, the video hire market is becoming increasingly competitive and the full impact of cable and satellite has yet to be felt. But Cityvision has a strong balance sheet, scope to increase margins, and an ability to win market share from independents and smaller chains.

## AIM misses target and dives to £2.48m

By Claire Pearson

AIM GROUP, the aircraft interiors manufacturer which is closing down its troubled property development business, yesterday reported a sharp fall from £4.53m to £2.48m in pre-tax profits in the 12 months to end-April 1990.

After a £3.1m extraordinary provision mainly in respect of the discontinued property development business, it recorded a loss of £1.7m. Earnings per share were 10.8p (£25.2p). Turnover stood at £47.89m (£51.08m).

The results fell slightly below market expectations, although the company had earlier warned profits would show a significant deterioration.

The shares shed 10p to 175p.

a year ago, AIM launched a one-for-four rights issue at a price of 36p per share.

In spite of this performance, AIM is recommending an unchanged final dividend of 6.6p, making a same-again 9p for the year. However, directors speaking for about half the shares are accepting a scrip dividend alternative to the cash payment.

But Mr Jeff Smith, chairman, was striking an optimistic note on prospects yesterday. He said that both the dominant aviation division and contracting had started the year with "excellent order books."

Meanwhile, property disposals, which should be substantially completed this year,

would sharply reduce gearing from the year-end level of more than 100 per cent.

As well as feeling the effects of the downturn in the property market, AIM also suffered problems in its other two divisions last year.

Aviation was hit during the year by the delay in the McDonnell Douglas MD-11 programme compounded by industrial action at Boeing and British Aerospace. But Mr Smith said deliveries had this year commenced on all major programmes.

Record turnover and profits at the contracting division were badly affected in the final quarter as an electrical contractor with which it was working went bankrupt. This

cost AIM some £200,000.

Since the year-end, AIM has sold Menstream (UK), its small-scale microwave oven business, to Merrychef, a commercial caterer, in return for a 25 per cent stake in the enlarged company.

Analysts at Barclays de Zoete Wedd are forecasting pre-tax profits of about £3.75m for the current year.

## The growth. The sales. The profits. We made the whole thing up.

We thought it was time to tell you the whole story about the Taunton Cider Company.

So when you examine our performance (see figs. 1 and 2), you'll understand what's going on.

In short we make things up because that's the way to market leadership. (Creating new and lucrative brands in new and lucrative parts of the cider market.)

As early as 1970 we had created a new keg cider with a unique dry taste.

The taste rapidly established Dry Blackthorn as Britain's favourite draught cider. Today it's still No.1.\*

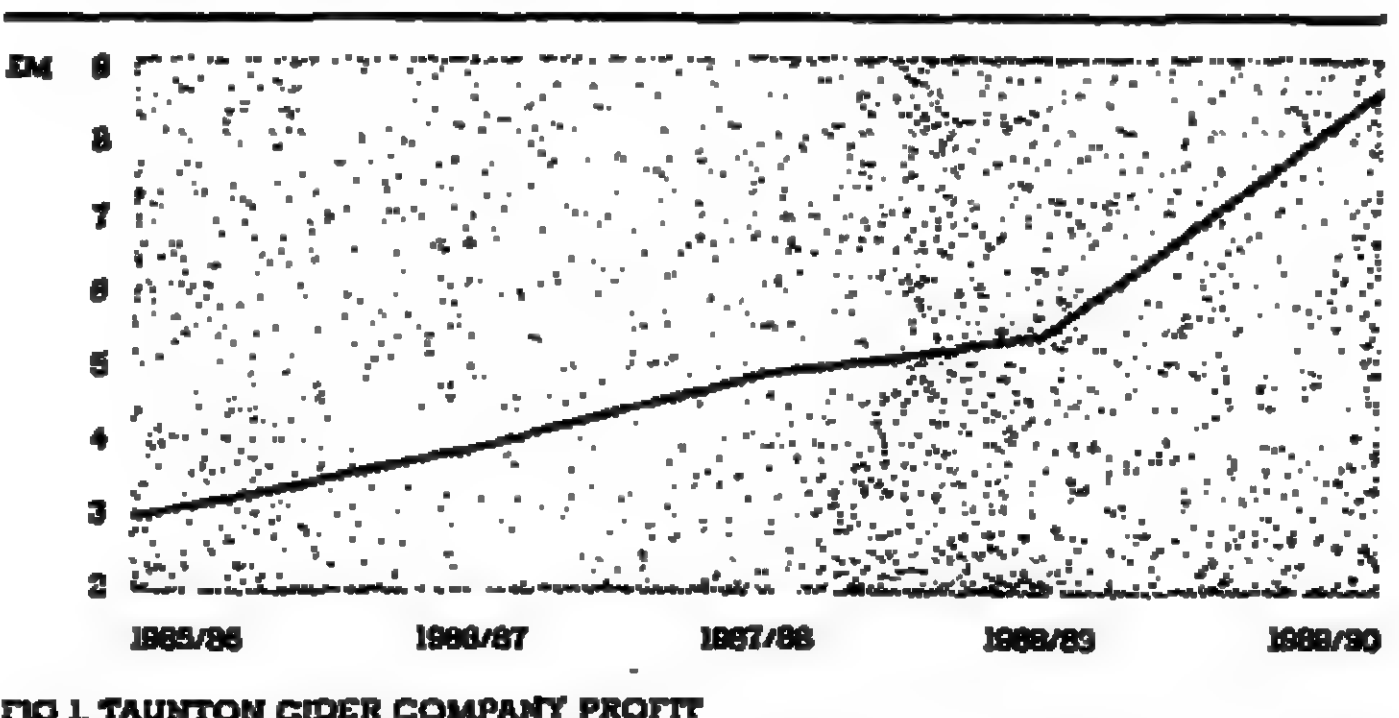


FIG 1. TAUNTON CIDER COMPANY PROFIT

When we launched Diamond White in 1985, we created the country's first ever white cider.

Today besides being brand leader in on-trade packaged ciders, it's the UK's fastest growing cider brand.

Last year we added another chapter to the success story. With the creation of a sister brand, Diamond Blush, the UK's first cider cooler.

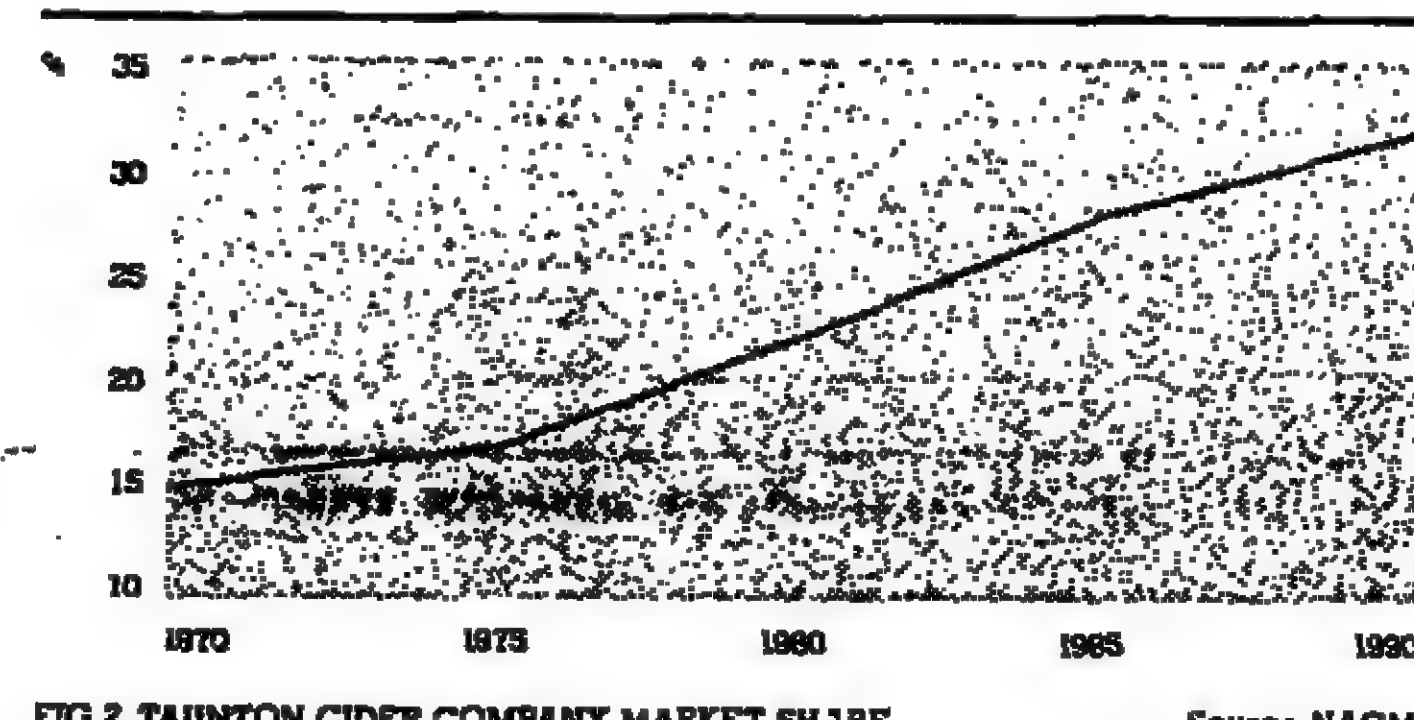


FIG 2. TAUNTON CIDER COMPANY MARKET SHARE

In Red Rock we're creating the UK's first premium draught cider. To satisfy a new generation of drinkers with their own premium tastes and values.

As we've made up this portfolio of brands, so we've supported them. Since 1985 no other cider maker has invested more in advertising.

This year we're putting a record £11 million behind our brands.

So in less than 20 years our share of the market has doubled. Establishing us as not only the UK's most innovative cider maker but also by far the most successful.

Which seems like two pretty good reasons for making things up.



TAUNTON MEANS BUSINESS

FOR FURTHER INFORMATION, PLEASE CONTACT: THE TAUNTON CIDER COMPANY LTD., MORTON FITZWARRREN, TAUNTON, SOMERSET TA2 8RD. TEL: 0323 332311. \* Source: State Mkt Total On Licence 12 months to Feb - Mar 1990

## Brierley's IEP lifts holding in Budgens to more than 14%

By Maggie Urry

SIR RON Brierley's IEP Securities investment company has taken its stake in Budgens, the food retailer, from 9.4 per cent to 14.1 per cent.

The additional 4.7 per cent was bought from the Merchant Navy Officers Pension Fund and other funds managed by Argosy Asset Management at a price of about 60p, valuing the stake at £2.47m.

Yesterday Budgens shares closed at 60p, unchanged on the day, making the whole of IEP's holding at £7.65m.

Mr Derek Pretty, Budgens'

finance director, said that he did not expect any change in the company's relationship with IEP as a result of the increased stake.

He said Budgens talked regularly to its larger shareholders and IEP had been the largest even before the purchase.

He said it was disappointing that MNOFF, which had been a long-term holder of Budgens shares, had decided to sell.

Mr Stuart Mitchell of IEP said it had decided to average down the cost of its holding in Budgens, the first shares hav-

ing been bought at about the 140p level. The purchase would reduce the average cost of IEP's holding to about 110p.

Earlier this month Budgens warned that profits for the year to end-April would be below market expectations because of distribution problems.

The results are to be published next Wednesday and analysts are looking for underlying profits of some £3m. Budgens promised to maintain the dividend.

## NEWS IN BRIEF

**BOUSTEAD**, through Bousteadco Singapore, has acquired 75 per cent of ESRI Australia, the authorised distributor in Australia, Singapore, Indonesia, Malaysia and Brunei for software developed by Environmental Systems Research of Redlands US. Initial consideration is A\$1.05m (£460,000) in cash. Further payment of up to A\$1m is profit-related.

**HEATH (CB)** is to acquire Independent Medical Insurance Consultants, based in West London, for an initial £402,000 in 81,255 ordinary shares. Additional profit related amounts will become payable in 1991 and 1992.

**KUNICK** has purchased Philip Woolson Ltd, one of the largest operators of gaming and amusement machines in Scotland, from the receiver.

**MBCA LEISURE**: Acceptances of Rank's offer have been received for 215.5m Mosca ordinary (68.2 per cent) and 209.94m convertible preference (68.1 per cent). The offers have been extended until July

26. **MULTITRUST** is now 50.6 per cent controlled by Mr AS Perloff, following his purchase of a further 251,600 shares.

**PARKWAY GROUP** has sold Colorlux in a transaction which will reduce its indebtedness by £1.2m. The purchaser is Colorlab, a company owned by Franco and Giovanna Lucifini, who are both directors of Colorlux.

**ROSS GROUP** has acquired Cotecol Enterprises, a Gloucestershire-based pallet maker, for £265,000 financed by the issue of unquoted loan notes.

For the year to June 30 1989 it made pre-tax profits of £144,000 on sales of £2.13m but losses are expected for the year to June 1990 on reduced sales of about £1.7m. The company will be given the new name Cotecol Gilpack.

**WACE**, the pre-press and specialist printing company, has acquired Leroy Phoenix Star, a Manchester-based reprographic concern, for an initial £1.02m in cash and shares. Further profit-related sums, to a maximum £1.1m, may be payable.

Leroy Phoenix reported taxable profits of £222,000 in 1988, on sales of £2.72m. Net assets at the year-end amounted to £245,000.

**WATERGLADE INTERNATIONAL** Holdings and Reinhold City, a Swedish listed company, have entered into a joint venture agreement to redevelop an 11,400 sq m office block in the Mainzer Landstrasse, Frankfurt, West Germany. Under the agreement, Waterglade International BV, a wholly-owned subsidiary, has sold 50 per cent of the Dutch subsidiary which owns the property to Reinhold City BV for DM7m (£2.4m). Waterglade International BV will retain the other 50 per cent interest in the project.

**WOOD (SW) Group** has closed its metal trading business carried on at Finedon Industrial Estate, Wellingborough, Northants, as indicated in its annual report. The business will be sold to MCP Holdings for £240,000 in cash, and net proceeds should amount to £96,000 before tax.

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15% per annum

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18 July 1990 to  
18 October 1990

Interest Amount per  
£50,000 Note due  
18.10.90: £190.62

Interest Amount per  
£50,000 Note due  
18.10.90: £190.616

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## GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 30 JUNE 1990

All companies mentioned are incorporated in the Republic of South Africa

STILFONTEIN  
Gold Mining Company Limited

Company Registration No. 602341206

Restructuring accelerated by lower gold price

Issued capital - 13 000 000 shares of 50 cents each

Quarter ended 30 June 1990

Quarter ended 30 June 1989

6 months ended 30 June 1990

6 months ended 30 June 1989

Operating results

Mined

Ore milled

Ore milled - underground

Ore milled - surface dumps

Ore milled - combined

Gold produced

Working revenue

Working costs

Working income

Sundry income - net

Income before taxation

Taxation and State's share of income

Income after taxation and State's share of income

Capital expenditure (recoupment)

Dividend declared

Development

Advanced

Advanced on reef

Sampled

Channel width

Average value - gold

Average value - uranium

REMARKS

- Estimated capital expenditure for the next six months - R1

- Reinvestment costs of R2.4 million are included in working costs

- An amount of R5 million is to be spent on development on the Ventersdorp

- Contact Reef horizon to explore for additional reserves

- Approximately 500 employees had to be retrenched during the quarter

- Interim dividend No. 72 of 10 cents per share was declared

- The company acquired Buffelsfontein's 20% interest in Chemwes for R10

- million. The transaction was effective from 1 July 1990 and therefore no dividend

- was declared by Chemwes at 30 June 1990. Chemwes consequently

- became a wholly-owned subsidiary of the company on 1 July 1990.

Chemwes Limited

Company Registration No. 640237806

(A subsidiary of Stilfontein Gold Mining Company Limited)

Issued capital - 1 000 shares of R1 each

Quarter ended 30 June 1990

Quarter ended 30 June 1989

6 months ended 30 June 1990

6 months ended 30 June 1989

Operating results

Mined

Ore milled

Ore milled - underground

Ore milled - surface dumps

Ore milled - combined

Gold produced

Working revenue

Working costs

Working income

Sundry income - net

Income before taxation

Taxation and State's share of income

Income after taxation and State's share of income

Capital expenditure (recoupment)

Dividend declared

Development

Advanced

Advanced on reef

Sampled

Channel width

Average value - gold

Average value - uranium

REMARKS

- Estimated capital expenditure for the next six months - R1

- Reinvestment costs of R2.4 million are included in working costs

- An amount of R5 million is to be spent on development on the Ventersdorp

- Contact Reef horizon to explore for additional reserves

- Approximately 500 employees had to be retrenched during the quarter

BUFFELSFONTEIN  
Gold Mining Company Limited

Company Registration No. 623393406

Issued capital - 11 000 000 shares of R1 each

Quarter ended 30 June 1990

Quarter ended 30 June 1989

6 months ended 30 June 1990

6 months ended 30 June 1989

Operating results

Mined

Ore milled

Ore milled - underground

Ore milled - surface dumps

Ore milled - combined

Gold produced

Working revenue

Working costs

Working income

Sundry income - net

Income before taxation

Taxation and State's share of income

Income after taxation and State's share of income

Capital expenditure (recoupment)

Dividend declared

Development

Advanced

Advanced on reef

Sampled

Channel width

Average value - gold

Average value - uranium

REMARKS

- Estimated capital expenditure for the next six months - R3 million

- In the current quarter the yield is expected to drop as increased proportions of

- underground ore are being milled from the new shaft

- The company has sold its 20% interest in Chemwes to Stilfontein for R10

- million. The transaction was effective from 1 July 1990 and therefore no dividend

- was declared by Chemwes at 30 June 1990. Chemwes consequently

- became a wholly-owned subsidiary of the company on 1 July 1990.

- Final dividends No. 66 of 340 cents per ordinary share and No. 13 of R10 million

- in respect of the cumulative preference shares have been declared

WELTEVREDEN

Mines Limited

Company Registration No. 711445106

Issued capital - 10 000 000 shares of R1 each

Quarter ended 30 June 1990

Quarter ended 30 June 1989

6 months ended 30 June 1990

6 months ended 30 June 1989

Operating results

Mined

Ore milled

Ore milled - underground

Ore milled - surface dumps

Ore milled - combined

Gold produced

Working revenue

Working costs

Working income

Sundry income - net

Income before taxation

Taxation and State's share of income

Income after taxation and State's share of income

Capital expenditure (recoupment)

Dividend declared

Development

Advanced

Advanced on reef

Sampled

Channel width

Average value - gold

Average value - uranium

REMARKS

- Estimated capital expenditure for the next six months - R10 million

- A start has been made with exploratory development in the No. 10 Shaft

- prospecting area. A possible extension to the area in the south western

- portion of the lease area is also being investigated

- The treatment of St. Helena's mine by Free State Consolidated Gold Mines

- Limited (Free State Consolidated Gold Mines) and the result of the

- transaction was effective from 1 July 1990 and therefore no dividend

UNISEL  
Gold Mines Limited

Company Registration No. 721080406

Issued capital - 28 000 000 shares of 50 cents each

Quarter ended 30 June 1990

Quarter ended 30 June 1989

6 months ended 30 June 1990

6 months ended 30 June 1989

Operating results

Mined

Ore milled

Ore milled - underground

Ore milled - surface dumps

Ore milled - combined

Gold produced

Working revenue

Working costs

Working income

Sundry income - net

Income before taxation

Taxation and State's share of income

Income after taxation and State's share of income

Capital expenditure (recoupment)

Dividend declared

Development

Advanced

Advanced on reef

Sampled

Channel width

Average value - gold

Average value - uranium

REMARKS

- Estimated capital expenditure for the next six months - R10 million

- A steady improvement from the fortunes reported in the previous quarter

- has been made. However, the industrial relations situation remains tense

- and good progress has been made with development into the Tarka and Jurgensdorp

- areas

KINROSS

Mines Limited

Company Registration No. 630522806

Issued capital - 18 000 000 shares of R1 each

Quarter ended 30 June 1990

Quarter ended 30 June 1989

6 months ended 30 June 1990

6 months ended 30 June 1989

Operating results

Mined

Ore milled

Ore milled - underground

Ore milled - surface dumps

Ore milled - combined

Gold produced

Working revenue

Working costs

Working income

Sundry income - net

Income before taxation

Taxation and State's share of income

Income after taxation and State's share of income

Capital expenditure (recoupment)

Dividend declared

Development

Advanced

Advanced on reef

Sampled

Channel width

Average value - gold

Average value - uranium

REMARKS

- Estimated capital expenditure for the next six months - R5.5 million

- Stopping from No. 1 decline has started

BRACKEN

Mines Limited

Company Registration No. 594112806

Issued capital - 14 000 000 shares of 50 cents each

Quarter ended 30 June 1990

Quarter ended 30 June 1989

6 months ended 30 June 1990

6 months ended 30 June 1989

Operating results

Mined

Ore milled

Ore milled - underground

Ore milled - surface dumps

Ore milled - combined

Gold produced

Working revenue

Working costs

Working income

Sundry income - net

Income before taxation

Taxation and State's share of income

Income after taxation and State's share of income

Capital expenditure (recoupment)

Dividend declared

Development

Advanced

Advanced on reef

Sampled

Channel width

Average value - gold

Average value - uranium

REMARKS

- Estimated capital expenditure for the next six months - R0.5 million

- Most of the current production comes from the extraction of the shaft pillar,

- which is planned to be completed towards the end of 1991.

NOTES

1. On 18 July 1990 dividends were declared by certain of the above-mentioned

- companies, payable to members registered at the close of business on 3 August 1990.

- The registers of members of the companies will be closed from 6 August 1990 to

- 17 August 1990, both days inclusive.

- The dividends are declared in the currency of the Republic of South Africa. Payments

- from the United Kingdom office will be made in Sterling at the rate of exchange ruling

- on 31 August 1990, or the first day thereafter on which a rate of exchange is available.

- Dividend warrants will be posted on 14 September 1990.

- In the case of non-resident shareholders, taxation of 15 percent will be deducted.

- The full conditions of payment may be inspected at or obtained from the registered

- office.

2. Developmental works represent actual results of sampling. No allowance has been

- made for any adjustments which may be necessary when estimating ore reserves.

3. All financial figures are unaudited.

WINKELHAAK  
Mines Limited

Company Registration No. 580206006

Issued capital - 12 180 000 shares of R1 each

Quarter ended 30 June 1990

Quarter ended 30 June 1989

6 months ended 30 June 1990

6 months ended 30 June 1989

Operating results

Mined

Ore milled

Ore milled - underground

Ore milled - surface dumps

Ore milled - combined

Gold produced

Working revenue

Working costs

Working income

Sundry income - net

Income before taxation

Taxation and State's share of income

Income after taxation and State's share of income

Capital expenditure (recoupment)

Dividend declared

Development

Advanced

Advanced on reef

Sampled

Channel width

Average value - gold

Average value - uranium

REMARKS

- Estimated capital expenditure for the next six months - R40 million

- The No. 6 Main Shaft has reached its final depth of 1 376 metres below collar

- and equipping of the shaft has commenced

LESLIE

Gold Mines Limited

Company Registration No. 580112806

Issued capital - 16 000 000 shares of 50 cents each

Quarter ended 30 June 1990

Quarter ended 30 June 1989

6 months ended 30 June 1990

6 months ended 30 June 1989

Operating results

Mined

Ore milled



## UK COMPANY NEWS

## Microgen sustains 7% downturn to £4.53m

By Jane Fuller

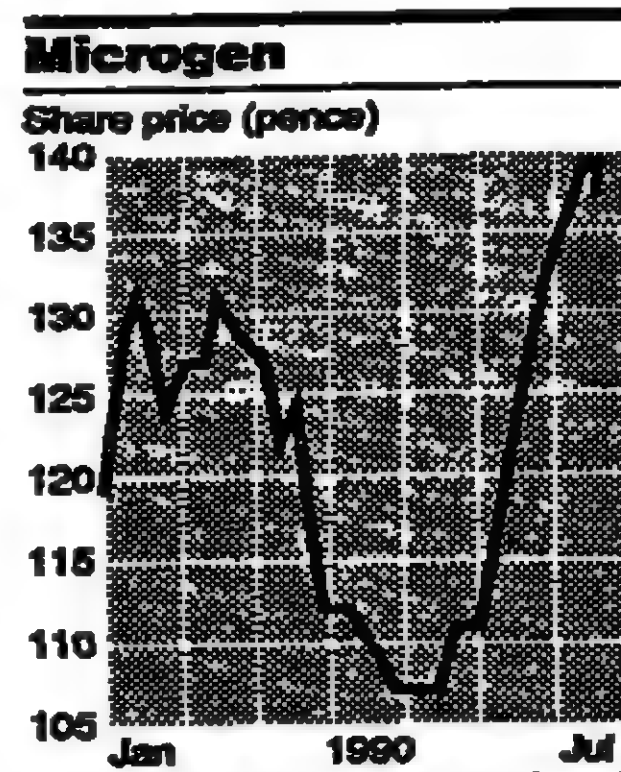
MICROGEN HOLDINGS, a computer company specialising in information management and which last year made a large provision for a suspected fraud, saw pre-tax profit fall by 7 per cent to £4.53m in the six months to April 30.

That did, however, represent an improvement on the second half of last year when only £2.29m was made pre-tax. Year-end adjustments included an £830,000 provision against the alleged fraud, due to come to court in the autumn, and £900,000 of reorganisation costs.

Turnover in the first half rose by 9 per cent to £25.05m (£22.98m).

Earnings per share, however, fell by 13 per cent to 7.1p after an increase in the tax rate on the Swedish part business from 23 to 51 per cent.

Microgen, which has seen management changes, has closed Imagen, a loss-making subsidiary providing laser printing for direct mail. Mr Patrick Barbour, chairman, said this knocked £130,000 off the interim profit figure and would cost a further £120,000



in the second half.

There had been no decline in the ongoing businesses, he said. About 60 per cent of sales came from computer output on microfilm (this has just been added to through a purchase from Hoskyns Group) and 35 per cent from laser printing.

The geographic breakdown was 53 per cent UK, 35 per cent Scandinavia and the rest from West Germany.

A community charge service for local authorities brought

in £750,000 income, but only a small profit contribution on the first runs. The potential was good, as was that for an invoice management service just being launched.

Microgen Equipment and Supplies had been sold last month for £1.5m. Mr Barbour said this, and the recovery of money related to the alleged fraud, would help make the company cash positive.

In the first half borrowings were reduced from £2m to £500,000. Net interest costs were £250,000 (£200,000).

Mr Barbour added: "Change often takes longer than anticipated. With the new UK management team becoming established and the disposal of two peripheral businesses, we can concentrate on developing our strategy of providing services within the information management market."

The interim dividend is being maintained at 2.2p.

The share price, which had recovered from a low of 106p to 139p in the last three months, eased to 137p yesterday.

## Associated Farmers merger

By Graham Deller

ASSOCIATED FARMERS, a former Business Expansion Scheme company currently traded on the Third Market, plans to come to the USM following its merger with a leading farm management group.

It is to merge with Sentry Farm Management in a share exchange deal which values Sentry at £1.06m.

Mr Barrie Hoar, deputy chairman, said: "The combined company will control the management of some 38,000 acres of land in England and Wales, making it one of the biggest farm management organisations in the country."

The merger is accompanied by a conditional rights issue of up to 1.5m shares at 61p apiece on a 7-for-13 basis, raising £619,000 net of expenses.

Some 44 per cent of the issue has been irrevocably taken up by directors, future directors and institutions while the balance has been underwritten by ANZ Merchant Bank.

The group intends to acquire established management companies and to encourage clients to develop ancillary activities alongside the farming business.

## Non-trading deficit turns out to be unexpectedly high Yellowhammer exceeds forecast losses

By Alice Rawsthorn

YELLOWHAMMER, the struggling advertising agency, yesterday reported unexpectedly severe pre-tax losses of £5.68m for the year to March 31 and announced that it was in negotiations to recapitalise the company.

The losses were far worse than the stock market had expected. Yellowhammer issued a profits warning in March in which it said it was likely to make losses of £3.6m in 1989/90, compared with profits of £2.7m on turnover of £82.4m in the previous year.

Yellowhammer said that trading had been in line with expectations, but the cost of reorganisation and the losses incurred by its non-trading businesses had been unexpectedly high.

In a bold statement, which did not give details of its financial position, Yellowhammer disclosed pre-tax trading losses of £3.68m and extraordinary losses of £2m. It paid £1m in interest in 1989/90 and said interest costs "continued at a high rate" in the current year.

The original Yellowhammer advertising agency, the largest part of the company, is still trading profitably before tax and interest. Yellowhammer

said that most of its other operating subsidiaries were trading profitably too.

The shares, which have fallen steadily since it disclosed unexpected interim losses in December, fell by 4p to 13p on yesterday's announcement. Worth more than 200p a year ago, they peaked at 281p in 1987.

Yellowhammer, which is one of the top 30 UK agencies, has a highly creative reputation based on its anti-drugs campaign for the Government and its work for clients such as Fiat and Barclays Bank.

The company expanded too rapidly in the buoyant advertising climate of the late-1980s. It invested in a string of start-ups, including agencies in France and Spain, and in other areas of marketing services.

Some of these investments were unsuccessful. Their poor performance made Yellowhammer very vulnerable when the UK advertising market started to slow down last summer. The senior management — led by Mr Jon Summerill as chairman — has been criticised for being too slow in reacting to the downturn.

Yellowhammer has cut costs by shedding staff. The main

London agency has reduced its workforce by 20 to 130 people — including the media director — since the start of this year.

Some loss-making operations have been closed or sold. The company has closed the start-up advertising agencies in France and Spain. It has also closed its financial marketing consultancy.

Yellowhammer now needs to raise new finance to reduce its debt. It has been in discussions with a number of potential investors in recent months.

The board is now understood to be considering a number of options including proposals from investors both inside and outside advertising.

Yellowhammer said yesterday that it hoped shortly to submit detailed recapitalisation proposals to shareholders. In the meantime, it said, it was trading within existing overdraft facilities and its banks were continuing to provide support.

Earlier this year Woolfson Moira Gaskin O'Malley, a privately-owned London agency, built up a 9.3 per cent share holding in Yellowhammer.



Jon Summerill: cutting costs by shedding staff

## LEGAL NOTICES

## IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS LUBBOCK DIVISION

IN RE:

CRUTCHER FINANCE, N.Y. and CRUTCHER RESOURCES CORPORATION BANKRUPTCY LITIGATION

ADVERSARY PROCEEDING NO. 285-208

CIVIL ACTION NO. CA-89-018 (CONSOLIDATED WITH CA-89-014-C)

ADVERSARY PROCEEDING NO. 285-207

THIS DOCUMENT RELATES TO ADVERSARY PROCEEDING FILED IN THE DISTRICT COURT IN CONNECTION WITH THE BANKRUPTCY CASES OF CRUTCHER FINANCE, N.Y. AND CRUTCHER RESOURCES CORPORATION.

CIVIL ACTION NO. CA-89-136-C

TO ALL PERSONS OR ENTITIES WHO ARE HOLDERS OF BENEFICIAL OWNERS OF THE 84% CONVERTIBLE SUBORDINATED DEBENTURES AND/OR ANY COUPONS APPURTENANT THERETO ISSUED BY CRUTCHER FINANCE, N.Y. PURSUANT TO AN INDENTURE DATED DECEMBER 1985 GUARANTEED BY CRUTCHER RESOURCES CORPORATION, AND DUE DECEMBER 15, 1990, OR WHO ARE CLAIMING UNDER THE DEBENTURES AND/OR ANY COUPONS APPURTENANT THERETO:

## SUMMARY NOTICE OF CLASS ACTION AND PROPOSED SETTLEMENT

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure, that a hearing will be held in the chambers of the Honorable Sam E. Cummings, Judge of the United States District Court for the Northern District of Texas (United States Courthouse, 1205 Texas Avenue, Lubbock, Texas 79401) on August 27, 1990, at 10:00 A.M. to determine whether the proposed settlement of these actions between IBJ Schroder Bank & Trust Company as Successor Indenture Trustee/Class Representative ("Schroder") and the Crutcher Finance, N.Y. Bankruptcy Trustee as Plaintiff and certain beneficial holders of Crutcher Finance, N.Y. Debentures as Defendants, hereinafter referred to as "the Settlement," is fair, reasonable, and adequate; whether all claims and counterclaims in these actions should be dismissed with prejudice to their filing; and whether a Settlement Fund in the amount of \$800,000.00, from which certain fees and expenses will be paid, should be approved.

YOU ARE A MEMBER OF THE CLASS IF YOU PRESENTLY HOLD AND/OR BENEFICIALLY OWN 1985% CONVERTIBLE SUBORDINATED DEBENTURES ISSUED BY CRUTCHER FINANCE, N.Y. IN DECEMBER 1985 AND DUE 1990 OR ANY COUPONS APPURTENANT THERETO (AND/OR ARE CLAIMING UNDER SUCH DEBENTURES OR ANY COUPONS APPURTENANT THERETO). IF THE COURT APPROVES THE SETTLEMENT, YOU WILL BE BOUND BY ITS TERMS, AND IF YOU WISH TO OBJECT TO THE PROPOSED SETTLEMENT OR TO THE PAYMENT OF ATTORNEY'S FEES OR COSTS AS SET FORTH BELOW, YOU MUST FILE YOUR WRITTEN NOTICE OF INTENTION TO APPEAR AT THE HEARING, STATING GROUNDS FOR OBJECTION, OTHER THAN GROUNDS OF POSITION WHEN THE CLERK OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS AT THE ADDRESS LISTED AT THE END OF THIS NOTICE AND SERVE COPIES OF SUCH WRITTEN OBJECTION AND ALL OTHER PAPERS, BRIEFS, OR AFFIDAVITS FILED WITH THE CLERK OF THE COURT ON THE FOLLOWING PERSONS NO LATER THAN SEVEN CALENDAR DAYS PRIOR TO THE SETTLEMENT HEARING OR YOU WILL NOT BE HEARD AT THE HEARING.

Mr. Len F. Cunningham  
Cullen & Rely  
4400 Renaissance Tower  
1201 Elm Street  
Dallas, Texas 75201

Mr. George J. Wade  
Shannon & Sterling  
Chambers & Co.  
125 E. 2nd Street  
New York, New York 10002

Ms. Myrtle McDonald  
James, Trust, Pappas,  
Moody & Brown  
1600 Civic Center Plaza  
P.O. Box 2456  
Lubbock, Texas 79402-2456

The complaint in these actions alleges that beginning at least with the consummation of the conversion debt of Crutcher Finance Corporation in 1985, the Defendants, hereinafter referred to as "Crutcher Finance Corporation and its subsidiaries including Crutcher Finance, N.Y.," in their own self-interest and the interests of their creditors, one of the complainants, alleged that one of the Defendants, which served as Indenture Trustee for the holders of the Debentures, failed to properly administer the Debentures and to properly distribute the Debentures.

The settlement to which the parties have agreed, subject to court approval, provides that a Settlement Fund of \$800,000.00 will be created to be distributed as follows: (1) \$500,000.00, after payment from that amount of certain costs of mailing and publishing notices of the hearing on the proposed settlement, the costs of administering and distributing the Settlement Fund, and Schroder's attorney's fees and expenses as approved by the Court, will be distributed to those members of the class who present their Debentures together with all coupons appertaining thereto to Schroder (or Euro-Case Clearing System, Inc. or Goldwyn Securities Corporation) in accordance with the terms of the Indenture and (2) the sum of \$300,000.00 will be paid to the Crutcher Finance, N.Y. Bankruptcy Trustee for the benefit of the bankruptcy estate and the creditors of that company other than the holders of the Debentures.

You may contact Schroder (Mr. Max Volman, Vice President, IBJ Schroder Bank & Trust Company, One State Street, New York, New York 10038, 212/458-2432) at any time after August 27, 1990 (the date of the hearing at which the Court will be asked to approve the settlement), to determine whether the settlement has been approved.

In order to participate in the distribution from the Settlement Fund, Class Members (or duly authorized persons or entities acting on their behalf) must present the Debentures, together with all the coupons appertaining thereto, to the Settlement Fund, no later than the following, depending upon the Class Member's place of residence, no later than December 14, 1990:

CLASS MEMBERS RESIDING IN CONTINENTAL EUROPE OR THE UNITED KINGDOM:	ALL OTHER CLASS MEMBERS:
Euro-Case Clearing System, Inc., c/o Morgan Guaranty Trust Company, 25 Avenue des Arts, Brussels, Belgium	IBJ Schroder Bank & Trust Company, Corporate Trust Window, 301, New York, New York 10004

OR

Cold S.A., 67 Boulevard Grande Duchesse, Luxembourg, 1010 Luxembourg

If you have not received by mail a notice which more fully describes the litigation and the terms and conditions of the proposed settlement, you may request one by sending your name and address to:

Ms. Len Cunningham  
Cullen & Rely  
4400 Renaissance Tower  
1201 Elm Street  
Dallas, Texas 75201

DATED: July 4, 1990.

NANCY E. DOMERTY  
Clerk, United States District Court  
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## BUSINESS LAW

## Pennsylvania acts on takeover bids

By Charles Bramham, Mark Yonkman, and Gregory Pilkington

THE recent Hoylake bid for BAT founded largely on the power of state insurance regulators in the US. The substantial losses Hoylake investors suffered may, however, have been offset by gains realised from the purchase of BAT shares.

This downside protection is a standard element of a takeover strategy. The new anti-takeover law enacted in Pennsylvania, however, creates yet another trap for the unwary by, among other restrictions, limiting the effectiveness of this tactic for shareholders who acquire more than 20 per cent of a Pennsylvania corporation.

No country or jurisdiction has a monopoly on local pride and protection of a long-established local company against "outside predators". But what distinguishes an American state from, say, Yorkshire, is that the latter could not enact protectionist laws in defence of Bowntree. American states have that power to a substantial extent.

The danger of even those European businessmen most experienced in US takeovers being caught off-balance by state law problems is exacerbated because, unlike US federal law, which has uniform application throughout the country, state law is very much the creature of the local political concerns of each state legislature.

This state power is not without limit, however, and the first generation of state anti-takeover laws failed on constitutional grounds. The "commerce" clause in the US Constitution, which prevents states from enacting laws which restrict interstate commerce — effectively, the American "single market" — was held to bar the first state anti-takeover laws.

After these initial failures, the states began to carefully draft anti-takeover legislation and placed such legislation in the states' business corporation laws rather than the state securities laws. Because a US corporation is a creature of state rather than federal law, the states believed that modifications to the laws that created corporations would be more likely to be upheld. The US Supreme Court confirmed this in 1987.

The modifications to the

states' business corporation laws (which often give corporations the ability to opt out of the new amendments) come in various forms. Some states have enacted "control share acquisition" statutes which require shareholder approval of acquisitions above certain percentages. Other states have enacted "fair price" statutes which allow an acquisition only if recommended by the board and approved by the shareholders or if the offeror pays the highest of several valuations.

Perhaps the most notable feature of the new Pennsylvania statute is Subchapter H. In essence it provides that any profit realised from the disposition of any equity securities of a corporation by a person who owns at least 20 per cent of the voting securities of that corporation, within 18 months after the person first became a 20 per cent or more owner, is recoverable by the corporation, unless the person acquired the securities more than 24 months before the person became a 20 per cent or more owner.

Such profits are recoverable in a suit brought by the corporation (or by a shareholder in the name of the corporation if the corporation does not bring suit within 60 days after the shareholder so requests) within two years after the profit was realised.

This is not mere "anti-greenmail" legislation; that is, it does not only capture profits made by a corporate raider whose tactics induce a company to buy back his shares at an increased price. The genuine would-be acquirer already owning 20 per cent of the target, whose bid is topped by a competing acquirer, could lose the profit on his shares — his "downside protection" — under this provision.

It could be seen as anomalous that a true "greenmailer" could build a hostile, strategic stake of 19.9 per cent and be unaffected by the new legislation, while a person whose genuine bid fails suffers twice. But if the Pennsylvania legislature's objective was to prevent Pennsylvania corporations from being taken over against the will of the board of directors, this may prove an admirable deterrent.

The provisions of Subchapter H tie in with the new Subchap-

ter G provisions. Under that section, voting rights are denied to "control shares", without the affirmative vote of the holders of a majority of the voting power of both, all "disinterested shares" of the corporation and all voting securities of the corporation. For this purpose there must be two separate votes taken at either an annual or special meeting of the shareholders.

"Control shares" are, broadly, those which would otherwise give the acquirer the right for the first time to cast votes in any of three ranges, between 20 per cent and 33 1/2 per cent and 50 per cent, and over 50 per cent. "Disinterested shares" are those not owned either by the acquirer or, broadly, senior management and some Employee Stock Ownership Plans.

The corporation can, within two years, redeem the control shares if the acquirer loses either shareholder vote, or if the acquirer does not within 30 days comply with the provisions governing the taking of the shareholder votes.

Alternatively, a person losing one or both of the shareholder votes may sell his control shares, complete with voting rights if such shares do not become control shares of the purchaser as a result of the shareholder votes. However, profits realised by either sale or redemption are subject to recapture by the corporation under Subchapter H.

The new law provides other potential restrictions to takeovers of Pennsylvania corporations. Prior law permitted directors to consider the effects of any action upon employees, suppliers, customers and communities, as well as shareholders, in determining the best interests of a corporation.

The new law re-affirms these previously existing provisions and extends them in at least two significant ways.

First, the law is now explicit that the interests of the shareholder need not be the primary consideration in determining the best interests of a corporation, thus altering a long-standing view in corporate law.

Second, the law makes clear that the fiduciary duty of directors does not require that they ever dissolve a "poison-pill" defence.

This is in contrast to the line of Delaware cases before the

Time-Warner case which considered not whether, but when, the board would have a fiduciary obligation to dissolve a poison-pill. Time-Warner, while not a poison-pill case, contains language which subsequent Delaware decisions may use to justify directors' decisions not to dissolve a poison pill.

These changes in Pennsylvania law are significant for several reasons. First, it demonstrates again the effect with which a state legislature can act when a local company is threatened by a "foreign" takeover.

Second, the number of companies potentially affected is large — more public companies in the US are incorporated in Pennsylvania than all but three other states. Moreover, the only obstacle to any US corporation re-incorporating in Pennsylvania to avail itself of these laws is shareholder approval. Indeed, this tactic has been successfully employed as part of a takeover defence in a few instances.

However, large public companies, which almost always have significant amounts of their shares held by institutions, have not attempted re-incorporation in Pennsylvania, and current publicity about the new statute may make shareholder approval of such a re-incorporation even less likely.

In many ways the real lesson for would-be acquirors is the importance of vigilance not only to state laws, but also to the continuing role the state can play. None of these changes in the law need thwart a takeover bid; the shifting legislation will merely require shifts in tactics.

Thus, tender offers can be conditioned upon the receipt of shareholder approval of any rights associated with share ownership. Stakes held for downside financial protection against a failed bid can be kept below 20 per cent. Similarly the application of these laws to proxies can be avoided relatively easily, and an old-fashioned proxy fight can replace the takeover bid as the means of accomplishing the same objective.

The authors are partners in the Philadelphia, and London offices of US law firm Pepper, Hamilton & Scheetz.

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## COMMODITIES AND AGRICULTURE

## Yeutter faces storm over US Farm Bill

By Nancy Dunne in Washington

MR CLAYTON Yeutter, the US Agriculture Secretary, is at the centre of a gathering storm as Congress prepares to debate a new Farm Bill and the abundant world grain harvest spurs calls for more export subsidies to boost falling wheat prices.

In Washington yesterday, populist farm groups, led by singer Willie Nelson, warned that the five-year 1990 Farm Bill now heading for the House and Senate floors would put 500,000 additional "family farmers" out of business.

Mr David Senter, National Director of the American Agriculture Movement, called on Mr Yeutter to read the US Constitution. "His business is to administer farm programmes and not to be travelling to Gatt and lobbying Congress to cut farm income and eliminate farm programmes," he said.

MEDIUM-sized, full-time family farms in the US could be "decimated" if all agricultural subsidies were to be negotiated away within the General Agreement on Tariffs and Trade, according to Mr Sean Rickard, the National Farmers' Union's chief economist.

Speaking to an NFU briefing paper on the implications of possible Gatt reforms, Mr Rickard maintained that if subsidies were abolished farming could be forced into the

deepest recession since the 1930s. However, while the issue of reform was "no longer whether but how," the key question was whether the abolition of subsidies could ever be politically possible.

Some form of agreement would almost certainly be reached when the Gatt round ended in December but in all probability the measures adopted would be relatively limited in extent, the briefing paper suggested.

The US Department of Agriculture last week forecast a record wheat harvest - along with record crops of rice, oilseeds, sunflowerseeds and rapeseed. This has contributed to lower demand for US exports and depressed futures prices. In Chicago, wheat prices plunged from \$3.65 a bushel in early May to \$3.05 a bushel yesterday.

The Congressional Budget Office has predicted that net

farm income would decline by 20 per cent between 1991 and 1995 under a continuation of the 1985 farm programme. But the Bills on the way to the House and Senate floors would essentially do this. Meanwhile, budget constraints are likely to force the Administration to cut payments to farmers.

At a press conference on Tuesday, Agriculture Department officials said farm income this year was predicted to be

near a record level, with continued strong demand for exports. But, according to Mr Steve Fried, an analyst with Dean Witter in Chicago, US subsidies lost out to EC subsidies in North Africa in the last quarter, and sluggish demand for wheat in two major markets - China and the Soviet Union - is unlikely to turn around in the near future.

Mr Yeutter complained that the House Appropriations

Committee had cut next year's budget for export subsidies from \$200m to \$50m. He said he would try to find a way to stimulate demand, but his under secretary, Mr Richard Crowder, acknowledged that US export subsidies have already been offered to all major US customers and markets.

These, he said, would be used to gain market share as well as to challenge the EC "exclusivity as we enter the critical phase of the Uruguay Round of Gatt negotiations."

Mr Yeutter predicted that this year would produce "the hottest debate that a Farm Bill has had in a good long period of time," with conservative and urban congressmen attacking the sugar and peanut programmes "and a number of others."

## Strike at Cominco lead smelter expected to end this weekend

By Bernard Simon in Toronto

A TWO-WEEK strike at Cominco's big lead and zinc smelter at Trail, British Columbia, is expected to end this weekend following agreement late yesterday on a new two-year labour contract.

An official of the United Steelworkers of America said the tentative settlement included the reopening of the nearby Sullivan mine, closed earlier this year after protracted labour disputes.

Details of the contract will be made public today when the deal is submitted to the 3,000 unionised workers at Trail and Sullivan. A vote is scheduled for tomorrow. The union has said it will recommend acceptance by its members.

One of the final issues to be hammered out was production incentive bonus for miners

at Sullivan, one of the issues on which Cominco and the union were deadlocked before the mine closed.

A Cominco official confirmed that "all major issues have been resolved." She said the company has agreed to spend \$51m on development work and other start-up expenses at Sullivan. However, about three months of development is required before the concentrator at the mine can start operations again.

Superintendents at Sullivan are expected to be called back to work as soon as the new labour contract is ratified, with other workers following later.

Sullivan processed 1.7m tonnes of ore last year, producing 157,000 tonnes of zinc concentrate and 87,400 tonnes of lead. The strike at Trail has

been an important factor in the lead and zinc market in recent weeks. Prices of the two metals initially rose sharply but have settled back in recent days as hopes increased that the stoppage would be shorter than earlier expected.

The Trail smelter produces 5.5 per cent of the western world's refined zinc and 2 per cent of its lead. The facility is being prepared for the arrival, probably next month, of the first shipment of zinc from Cominco's rich new Red Dog mine in Alaska.

Earlier this year, technical problems forced Cominco to shut down a brand-new lead smelter at Trail, which is not expected to be back in production until later this year. The company is currently relying on the old facility.

## Keeping one jump ahead of the brown plant hopper

John Madeley on the battle to control a pest that has been attacking rice crops for 2,000 years

ONE OF the most serious pests of Asia's "Green Revolution" is today down but not quite out.

An insect known as the brown plant hopper became Asia's worst rice pest in the 1970s, causing heavy losses and economic desperation for tens of thousands of farmers. A concentrated effort by scientists has now virtually eliminated the pest.

"The brown plant hopper is now rare," says Dr Ramesh Saxena, an entomologist at the International Rice Research Institute in the Philippines.

But the hopper remains a threat none the less, and is still capable of launching renewed attacks on rice crops. So rice scientists are making determined efforts to stay at least one jump ahead of the pest to prevent it from striking again.

The brown plant hopper sucks the sap of the rice plant, causing the crop to wilt and dry. While in some parts of Asia it has been a problem for rice growers for some 2,000 years, it became particularly damaging in the 1970s following the introduction of high-yielding varieties grown with irrigation and intensive applications of nitrogen fertiliser.

"Fertilisation and irrigation promote a dense and succulent foliage, ideal for hopper growth," says the institute. With irrigation, more farmers began to grow rice all the year round so there was no dry season to break the hopper's breeding cycle.

Losses caused by the pest in the 1970s were estimated to be more than \$300m.

Scientists have centred their research on finding new varieties of rice that are capable of resisting the pest.

The first resistant variety, IR36, was released in 1973 but after two years it succumbed to the hopper in the Philippines, Indonesia and Vietnam.

Another line, IR36, was introduced in 1976 and became popular with farmers. Its resistance held for more than six years before coming under attack from a hopper known as Biotype 3.

By this time, another variety, IR56, was available which was resistant to the Biotype 3 pest. This variety is still holding its resistance and new lines are being developed at the institute in preparation for the anticipated attack of the next brown hopper biotype.

governed by single genes. Such resistance only offers one line of defence. Pests can survive, and even thrive, on plants that used to be resistant.

The answer lies in "biological insurance," developing rice with horizontal resistance conferred by two or three major genes. This should help to keep the pests at bay for long periods. And the institute has moved "into the wild" to try to find the best genes.

"The chances of finding genes for pest resistance are 50 times greater in wild rice than in domestic rice," says Dr Duncan Vaughan, the institute's geneticist.

A gene for brown plant hopper resistance was recently transferred from *Oryza officinalis*, a wild species, and a number of useful wild genes have

## International effort to meet new world screw worm threat

BRITAIN HAS pledged \$1m towards an emergency \$17m fund for the eradication of a flesh-eating parasite threatening humans and livestock in north-west Libya.

Announcing the pledge, made at a Rome conference held by the UN's International Fund for Agricultural Development and Food and Agriculture Organisation, the Overseas Development Administration said that, unless controlled the new world screw worm was likely to spread to other African countries and even pose a threat to southern Europe. It was unknown outside

the Americas until 1988.

The screw worm fly lays its eggs on open wounds as small as a tick bite. After hatching the larvae burrow into the living flesh and about 20 per cent of their livestock victims die.

To break the reproductive cycle millions of sterile insects are to be released weekly in infested areas over a period of two years.

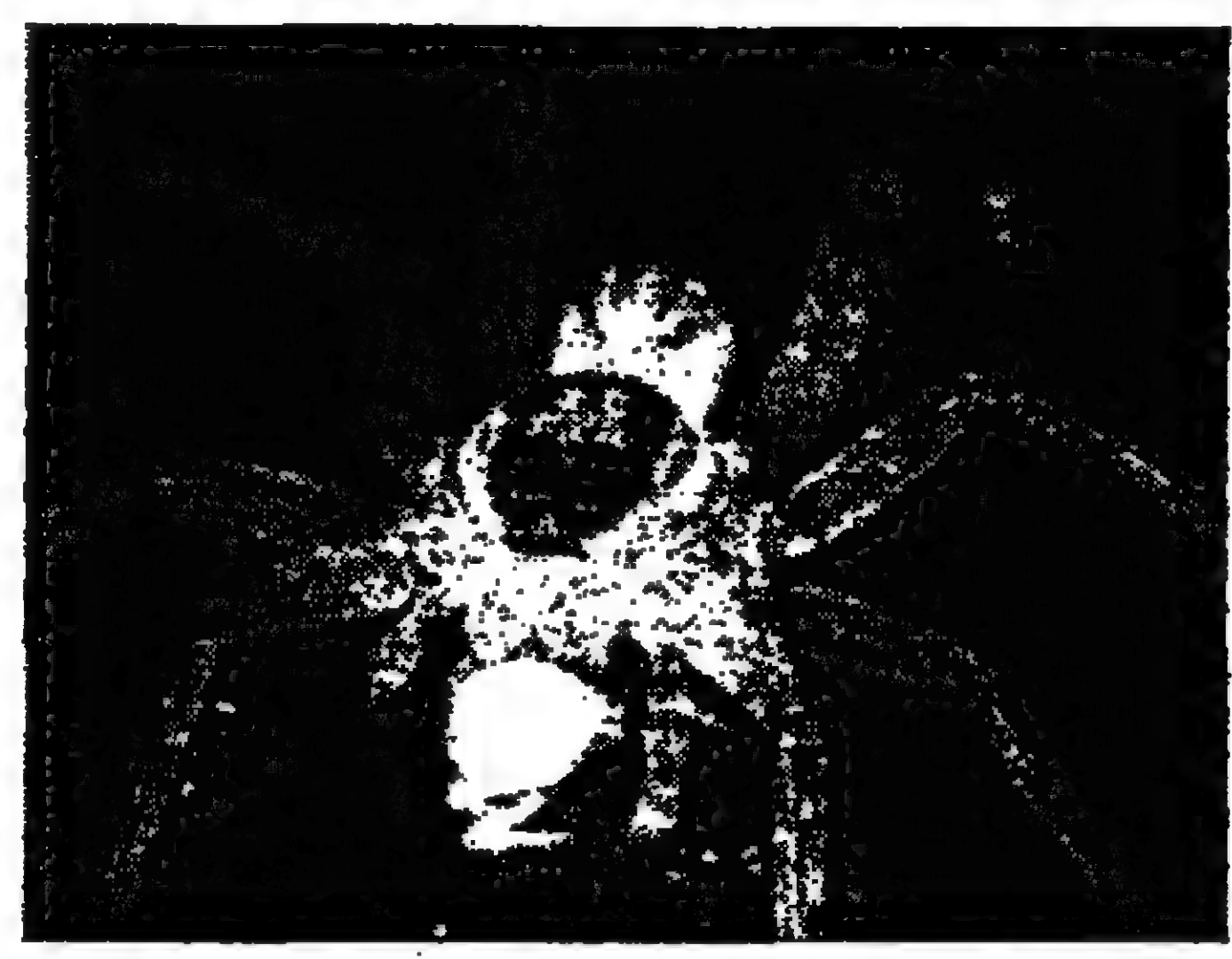
The US and Arab banks were the biggest donors to the eradication fund, the first phase of a \$65m programme.

The institute says that it has developed four more resistance genes which can be deployed if and when the next generation of the hopper strikes.

But the institute's scientists admit that the resistance of all modern rice varieties to any biotype is unstable, as it is

because the widespread use of chemical pesticides wiped out large numbers of natural predators such as spiders and wasps. If these are given a chance to survive they eat the hopper and thus keep it under control.

Some rice fields are esti-



A wolf spider makes a meal of a brown plant hopper nymph

"Insecticides are not needed to control the brown plant hopper," says Dr Saxena. He points out that a growing number of Asian farmers are now using integrated pest management which allows the natural enemies of the hopper a chance to play their part.

The hopper spread as quickly as it did in the 1970s

because the widespread use of chemical pesticides wiped out large numbers of natural predators such as spiders and wasps. If these are given a chance to survive they eat the hopper and thus keep it under control.

Some rice fields are esti-

mated to be home to around 800 kinds of beneficial insects. *Lycosa pseudoscutellata*, the wolf spider, which is common in lowland rice fields, is partial to a tasty hopper snack.

One Filipino farmer with three acres of land who has adopted integrated pest management, said that he used to spend 500 pesos (121) a hectare on pesticides. "Now we let dragonflies, wasps and spiders, who prey on pests do the work," he said, "and save money for more urgent needs."

Another farmer said that fish, crabs and edible snails have returned to the fields since he reduced pesticide spraying, all of which "were additional food and income; we use pesticides only when needed and have learned to determine when to spray and how much pesticide to use."

Biotechnology is also expected to play a key role, helping to transfer resistant genes from the wild into farm varieties. "Biotechnological advances in the near future will provide us with unlimited opportunities to tap novel sources of resistance to the brown plant hopper and other pests," said an institute official.

## Blow to antimony price move

By Philip Gawith in Johannesburg and Kenneth Gooding in London

ATTEMPTS BY Bolivia and China to set a producers' price for antimony metal of US\$2,550 a tonne have collapsed because China, the world's major producer, failed to control a flood of exports.

The European free market price of antimony metal recently fell to \$1,800 a tonne and traders believe it will not go below that level. But low prices have already claimed casualties. Dominion Explorers closed its Durham mine in New Brunswick, Canada, at the end of last year and this week Consolidated Murchison of South Africa, the Anglovaal subsidiary which produces about 12 per cent of the world's

antimony, said it would cut output by 25 per cent. This would result in an unspecified number of redundancies.

Mr Mike Hawarden, Murchison's chairman, blamed uncoordinated sales and pricing policies by Chinese producers after the apparent collapse 18 months ago of the Chinese central antimony marketing organisation.

In London, Mr Howard Masters, managing director of Lambert Metals, suggested the Chinese, who supply 70 to 80 per cent of the European free market requirements, "have completely screwed up the market. There are hundreds of tonnes of antimony metal

available in European warehouses."

He described antimony as "an old-fashioned metal" for which demand was declining, particularly in batteries. But there was some growth in the use of antimony for flame retardants, pesticides and fungicides.

Murchison's Mr Hawarden said the company had to stop its deteriorating cash position as there was no reliable indication of any revival in antimony demand or prices. He added, however, that many customers in Europe and the US wanted Murchison material as a hedge against possible political disruption in China.

## Darjeeling tea growers seek yield boost

By Kunal Bose in Calcutta

TEA PLANTERS of Darjeeling, the hill district in west Bengal, are growing the most exclusive variety of tea, the beverage described as the champagne of teas, want a programme for doubling their average yield.

The present yield in Darjeeling is the lowest among all India's tea growing centres. At 625 kg a hectare it compares with the Indian national average of 1,640 kg.

Mr Deepak Atal, chairman of the Darjeeling Tea Planters Association, says that the doubling of productivity can only be achieved over a ten-year period as it would be disastrous to chase volume to the detriment of quality. Darjeeling tea fetches substantially higher prices than the rest of Indian teas because of its unmatched flavour. Certain lines of Darjeeling tea command fancy prices of up to \$5,000 (\$180) a kilogram.

There are compelling reasons for India to step up the supply of Darjeeling tea over a period of time, as effective world demand for the exclusive beverage will at least be four times more than production. Before the Darjeeling logo was introduced some three years ago, as much as 45m kg of tea was marketed as Darjeeling all over the world, while production had actually stagnated at around 15m kg. Around 65 per cent of the tea grown in Darjeeling is exported.

According to Mr Atal, the marketing of fake Darjeeling tea has been checked to a large extent following the embossing of the logo on packets containing the genuine article. There are plans to extend the campaign, so far confined to the UK, to West Germany, France, Japan and the US so that discriminating buyers can easily distinguish the real thing from the fakes.

With the return of peace in Darjeeling in August 1989, after two years of violent struggle for autonomy, tea planters are once again feeling confident enough to invest in the rejuvenation of gardens. Mr Atal admits that "tea bushes in Darjeeling have aged; productivity has declined and hardly anything has been done by way of replantation." He says, however, that the political stability in the region has encouraged owners to reopen old gardens. Now only one remains to be reopened.

Tea is grown over 18,000 hectares in Darjeeling and it is believed that an additional 1,000 ha could be brought under tea cultivation without disturbing the ecology. But any substantial improvement in supply has to be sought mainly through improving productivity.

## WORLD COMMODITIES PRICES

## MARKET REPORT

COPPER prices continued this week's decline on the LME yesterday, while lead and zinc appeared to be restrained by trader talk of a possible 10,000-tonne increase in LME warehouse stocks tomorrow. On Comex prices were slightly ahead at midsession with traders citing resistance for September at 121 and 122 cents a lb. "Copper had quite a run and we're due for a bigger correction," said one trader. "But when that correction is going to come is anybody's guess." Lead rallied sharply in the morning on the LME. Traders said prices rose on trade buying.

## London Markets

**SPOT MARKETS**  
Crude oil (per barrel FOB) + or -  
Dubai \$15.05-0.05w +1.75  
Brent Blend \$16.47-0.55w +0.20  
WTI (1 pm est) \$16.79-0.50w +0.12

**Oil products**  
(FIMC prompt delivery per barrel FOB)  
Premium Gasoline \$20.20-0.20  
Gas Oil \$17.75-0.10  
Heavy Fuel Oil \$20.40-0.10  
Naphtha \$19.15-0.10

**Other**  
Silver (per 100 oz) \$380.50 -0.75  
Gold (per 100 oz) \$420.00 +1.00  
Platinum (per 100 oz) \$471.25 +0.25  
Palladium (per 100 oz) \$116.85 +0.15

short covering and profit taking purchases in a market that had become oversold earlier in the week on news the eight-day strike at Cominco's Trail smelter would soon be over. Three-month zinc found support at \$1,500 a tonne. Sugar prices continued to fall. New York traders said the absence of sizable buying in the cash market continued to inspire fund and commission house selling. New York orange juice futures were down sharply by midsession as July went off the board. In Chicago live cattle for August were at a new season's high by midsession on renewed demand. Compiled from Reuters.

**SUGAR - London POKE (\$ per tonne)**  
Raw  
Aug 247.00 252.00 258.40 243.00  
Sep 247.00 251.00 257.40 242.00  
Oct 247.00 250.00 256.40 241.00  
Nov 247.00 249.00 255.40 240.00  
Dec 247.00 248.00 254.40 239.00  
Jan 247.00 247.00 253.40 238.00  
Feb 247.00 246.00 252.40 237.00  
Mar 247.00 245.00 251.40 236.00  
Apr 247.00 244.00 250.40 235.00  
May 247.00 243.00 249.40 234.00  
Jun 247.00 242.00 248.40 233.00  
Jul 247.00 241.00 247.40 232.00

**COCOA - London POKE (\$ per tonne)**  
Close Previous High/Low  
Jul 732 738 742 730  
Sep 742 751 757 738  
Oct 751 759 765 748  
Nov 759 767 773 756  
Dec 767 775 781 764  
Jan 775 783 789 772  
Feb 783 791 797 780  
Mar 791 799 805 788  
Apr 799 807 813 806  
May 807 815 821 808  
Jun 815 823 829 816  
Jul 823 831 837 824

Turnover: 4200 (5478) lots of 10 tonnes  
1000 indicator prices (5000) 10 day average for Jul 17 824.57 (824.57) 10 day average for Jul 18 1022.26 (1007.34)

**COFFEE - London POKE (\$ per tonne)**  
Close Previous High/Low  
Jul 532 534 536 530  
Sep 532 534 536 530  
Oct 532 534 536 530  
Nov 532 534 536 530  
Dec 532 534 536 530  
Jan 532 534 536 530  
Feb 532 534 536 530  
Mar 532 534 536 530  
Apr 532 534 536 530  
May 532 534 536 530  
Jun 532 534 536 530  
Jul 532 534 536 530

**LONDON METAL EXCHANGE** (Prices supplied by Associated Metal Trading)  
Close Previous High/Low AM Official Kibb close Open Interest  
Aluminium, 99.7% purity (\$ per tonne)  
Cash 1548-50 1558-41 1571/1536 1537-8 1559-9 40,228 lots  
3 months 1552-3 1562-1 1575/1536 1575-3 1559-9 40,228 lots  
Copper, Grade A (\$ per tonne)  
Cash 1505-7 1505-8 1489/1487 1500-1 1478-9 31,811 lots  
3 months 1477-8 1483-4 1480/1487 1472-3 1478-9 31,811 lots  
Lead (\$ per tonne)  
Cash 452-3 454-5 452-3 474-5 474-5 10,520 lots  
3 months 472-3 483-4 474-5 474-5 474-5 10,520 lots  
Zinc (\$ per tonne)  
Cash 975-700 975-50 931/9250 9300-100 9600-50 5,728 lots  
3 months 975-700 975-50 931/9250 9300-100 9600-50 5,728 lots  
Total daily turnover 873 lots  
Cash 8025-35 8050-70 8100/8100 8120-30 8120-40 4,888 lots  
3 months 8105-5 8070-40 8100/8100 8120-30 8120-40 4,888 lots  
Zinc, Special High Grade (\$ per tonne)  
Cash 985-7 985-7 985-7 985-7 985-7 985-7  
3 months 985-7 985-7 985-7 985-7 985-7 985-7  
5 months 985-7 985-7 985-7 985-7 985-7 985-7  
LME Closing 2/8 rates: 2 months: 1.7025 3 months: 1.7042 6 months: 1.7042 9 months: 1.7042  
SPO: 1.8200 2 months: 1.7025 3 months: 1.7042 6 months: 1.7042 9 months: 1.7042

**CRUDE OIL (Light) 42,000 US gals/barril**  
Close Previous High/Low  
Aug 18.25 18.25 18.25 18.25  
Sep 18.25 18.25 18.25 18.25  
Oct 18.25 18.25 18.25 18.25  
Nov 18.25 18.25 18.25 18.25  
Dec 18.25 18.25 18.25 18.25  
Jan 18.25 18.25 18.25 18.25  
Feb 18.25 18.25 18.25 18.25  
Mar 18.25 18.25 18.25 18.25  
Apr 18.25 18.25 18.25 18.25  
May 18.25 18.25 18.25 18.25  
Jun 18.25 18.25 18.25 18.25  
Jul 18.25 18.25 18.25 18.25

**Chicago**  
SOYBEANS 5,000 bu min cent/100b bushel  
Close Previous High/Low  
Jul 50.00 50.00 50.00 50.00  
Sep 50.00 50.00 50.00 50.00  
Oct 50.00 50.00 50.00 50.00  
Nov 50.00 50.00 50.00 50.00  
Dec 50.00 50.00 50.00 50.00  
Jan 50.00 50.00 50.00 50.00  
Feb 50.00 50.00 50.00 50.00  
Mar 50.00 50.00 50.00 50.00  
Apr 50.00 50.00 50.00 50.00  
May 50.00 50.00 50.00 50.00  
Jun 50.00 50.00 50.00 50.00  
Jul 50.00 50.00 50.00 50.00

**NEW YORK**  
GOLD 100 Troy oz. \$/Troy oz.  
Close Previous High/Low  
Jul 361.8 362.0 363.5 360.5  
Aug 361.8 362.0 363.5 360.5  
Sep 361.8 362.0 363.5 360.5  
Oct 361.8 362.0 363.5 360.5  
Nov 361.8 362.0 363.5 360.5  
Dec 361.8 362.0 363.5 360.5  
Jan 361.8 362.0 363.5 360.5  
Feb 361.8 362.0 363.5 360.5  
Mar 361.8 362.0 363.5 360.5  
Apr 361.8 362.0 363.5 360.5  
May 361.8 362.0 363.5 360.5  
Jun 361.8 362.0 363.5 360.5  
Jul 361.8 362.0 363.5 360.5

**CRUDE OIL - \$/barrel**  
Close Previous High/Low  
Sep 18.25 18.25 18.25 18.25  
Oct 18.25 18.25 18.25 18.25  
Nov 18.25 18.25 18.25 18.25  
Dec 18.25 18.25 18.25 18.25  
Jan 18.25 18.25 18.25 18.25  
Feb 18.25 18.25 18.25 18.25  
Mar 18.25 18.25 18.25 18.25  
Apr 18.25 18.25 18.25 18.25  
May 18.25 18.25 18.25 18.25  
Jun 18.25 18.25 18.25 18.25  
Jul 18.25 18.25 18.25 18.25

**WHEAT - \$/bushel**  
Close Previous High/Low  
Sep 11.00 11.00 11.00 11.00  
Oct 11.00 11.00 11.00 11.00  
Nov 11.00 11.00 11.00 11.00  
Dec 11.00 11.00 11.00 11.00  
Jan 11.00 11.00 11.00 11.00  
Feb 11.00 11.00 11.00 11.00  
Mar 11.00 11.00 11.00 11.00  
Apr 11.00 11.00 11.00 11.00  
May 11.00 11.00 11.00 11.00  
Jun 11.00 11.00 11.00 11.00  
Jul 11.00 11.00 11.00 11.00

**COCAINE - \$/kg**  
Close Previous High/Low  
Sep 11.00 11.00 11.00 11.00  
Oct 11.00 11.00 11.00 11.00  
Nov 11.00 11.00 11.00 11.00  
Dec 11.00 11.00 11.00 11.00  
Jan 11.00 11.00 11.00 11.00  
Feb 11.00 11.00 11.00 11.00  
Mar 11.00 11.00 11.00 11.00  
Apr 11.00 11.00 11.00 11.00  
May 11.00 11.00 11.00 11.00  
Jun 11.00 11.00 11.00 11.00  
Jul 11.00 11.00 11.00 11.00

**NEW YORK**  
GOLD 100 Troy oz. \$/Troy oz.  
Close Previous High/Low  
Jul 361.8 362.0 363.5 360.5  
Aug 361.8 362.0 363.5 360.5  
Sep 361.8 362.0 363.5 360.5  
Oct 361.8 362.0 363.5 360.5  
Nov 361.8 362.0 363.5 360.5  
Dec 361.8 362.0 363.5 360.5  
Jan 361.8 362.0 363.5 360.5  
Feb 361.8 362.0 363.5 360.5  
Mar 361.8 362.0 363.5 360.5  
Apr 361.8 362.0 363.5 360.5  
May 361.8 362.0 363.5 360.5  
Jun 361.8 362.0 363.5 360.5  
Jul 361.8 362.0 363.5 360.5

**CRUDE OIL - \$/barrel**  
Close Previous High/Low  
Sep 18.25 18.25 18.25 18.25  
Oct 18.25 18.25 18.25 18.25  
Nov 18.25 18.25 18.25 18.25  
Dec 18.25 18.25 18.25 18.25  
Jan 18.25 18.25 18.25 18.25  
Feb 18.25 18.25 18.25 18.25  
Mar 18.25 18.25 18.25 18.25  
Apr 18.25 18.25 18.25 18.25  
May 18.25 18.25 18.25 18.25  
Jun 18.25 18.25 18.25 18.25  
Jul 18.25 18.25 18.25 18.25

**Chicago**  
SOYBEANS 5,000 bu min cent/100b bushel  
Close Previous High/Low  
Jul 50.00 50.00 50.00 50.00  
Sep 50.00 50.00 50.00 50.00  
Oct 50.00 50.00 50.00 50.00  
Nov 50.00 50.00 50.00 50.00  
Dec 50.00 50.00 50.00 50.00  
Jan 50.00 50.00 50.00 50.00  
Feb 50.00 50.00 50.00 50.00  
Mar 50.00 50.00 50.00 50.00  
Apr 50.00 50.00 50.00 50.00  
May 50.00 50.00 50.00 50.00  
Jun 50.00 50.00 50.00 50.00  
Jul 50.00 50.00 50.00 50.00







1.) - Contd.

Day	High	Low	Open	Close
7.7	1.9	7.6		
15.0	43.2	43.3		
5.0	1.8	7.8		
4222.2	4.8	5.8		
15.25	2.6	3.0		
90.5	4	5.9		
4.25	1.8	4.8		
Will.0	2.7	2.6		
18.9	2.9	5.1		
2.5	4	4.4		
206.0		3.9		
Phil.90	4.8	2.5		
5.0	4.4	3.0		
8				
00.4	21.5	0.4		
7.5	2.3	10.4		
5.0	2.6	3.3		
11.3	2.9	3.8		
5.8	1.4	4.3		
18.0		7.1		

**FOOD, GROCERIES, ETC.**

040%	3.8	3.5	3.5
045%	3.8	3.5	3.5
050%	3.8	3.5	3.5
055%	3.8	3.5	3.5
060%	3.8	3.5	3.5
065%	3.8	3.5	3.5
070%	3.8	3.5	3.5
075%	3.8	3.5	3.5
080%	3.8	3.5	3.5
085%	3.8	3.5	3.5
090%	3.8	3.5	3.5
095%	3.8	3.5	3.5
100%	3.8	3.5	3.5
105%	3.8	3.5	3.5
110%	3.8	3.5	3.5
115%	3.8	3.5	3.5
120%	3.8	3.5	3.5
125%	3.8	3.5	3.5
130%	3.8	3.5	3.5
135%	3.8	3.5	3.5
140%	3.8	3.5	3.5
145%	3.8	3.5	3.5
150%	3.8	3.5	3.5
155%	3.8	3.5	3.5
160%	3.8	3.5	3.5
165%	3.8	3.5	3.5
170%	3.8	3.5	3.5
175%	3.8	3.5	3.5
180%	3.8	3.5	3.5
185%	3.8	3.5	3.5
190%	3.8	3.5	3.5
195%	3.8	3.5	3.5
200%	3.8	3.5	3.5

## DRAPERY AND STORES

56.3%	8.0	10.0	6.3
0.5		3.7	
0.35		4.8	
11.0	3.2	3.6	1.1
4.7	3.2	3.6	1.1
1.62	3.7	4.6	1.1
F0.5	7.6	1.7	1.1
3.75	4.6	5.7	1.1
5.0	4.6	4.3	1.1
1.0	3.0	4.5	1.1
10.05	3.0	4.5	1.1
25.14	1.3	9.8	1.1

## HOTELS AND CATERERS

[illegible]

## ELECTRICALS

[illegible]

## MOTORS, AIRCRAFT TRADES

Model	Price	MPG	Year	MPG	Year
684 DAF N.V. F15	574	23	1980	2.0	1.4
120 General Mite Ultra	139	23	1978	2.0	1.4
41 2000 March Group	239	41	1978	2.0	1.4
23 2001 Volkswagen DAF	237	42	1978	2.0	1.4
301 Volvo K25	539	41	1978	2.0	1.4

**Commercial Vehicles**

Model	Price	MPG	Year	MPG	Year
1302ZF (Midsize)	1434	18.0	1978	4.9	1.4
1302ZF (Midsize)	1434	18.0	1978	4.9	1.4



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## MOTORS, AIRCRAFT TRADES - Contd

1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	9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## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Muted reaction to Greenspan

THE DOLLAR was slightly weaker at the close of trading in London last night as the market continued to analyse the implications of testimony before the Senate banking committee by Mr Alan Greenspan, chairman of the Federal Reserve Board.

In his half-yearly Humphrey-Hawkins report, Mr Greenspan confirmed that the Fed has eased its monetary policy - dealers believe that the target rate for Federal funds was cut by 1/4 point to 8 per cent last week - but said this was designed to increase credit availability and not simply to lower interest rates. "Credit tightening is something we would not like to see happening," Mr Greenspan told the committee.

Shortly before the Fed chairman spoke, figures were released on June US consumer prices. These rose by a larger than expected 0.5 per cent, taking the year-on-year inflation rate up to 4.7 from 4.4 per cent. Excluding volatile food and energy prices, core inflation rose 0.4 per cent. Responding to the figures Mr Greenspan said that while they were "higher than one would like to see," it doesn't, in his judgement, fundamentally affect the underlying trends. "The view in the market was that the rise

in prices had dampened any lingering hopes that the Fed would ease its monetary stance again in the near future.

At the London close the dollar had declined to DM1.6435 from DM1.6465, to Y147.25 from Y148.35, and to FF5.5150 from FF5.5200, but had climbed to SF1.4085 from SF1.4060. The dollar's index fell to 65.3 from 65.7.

Sterling weakened slightly in New York after the close of trading in London. The pound fell below DM2.9800 against the D-Mark following a news agency report - quoting a Downing Street official - that the UK still regards financial restrictions among some members of the European Community as a problem for sterling's full membership of the European Monetary System. This was one of the conditions set by the UK Government at last year's Madrid summit, but dealers had assumed that with

the removal of most restrictions a fall in UK inflation was now the only real obstacle to the pound joining the EMS exchange rate mechanism.

In early European trading sterling rose above DM3.00, touching a peak of DM3.0050, but it failed to maintain that level. It fell back to close in London at DM2.9925, still a rise of one penny on the day. The pound also gained 85 points to \$1.8205. It climbed to FF10.0400 from FF10.0025 and to SF2.5650 from SF2.5475, but fell to Y268.00 from Y268.75, sterling's index rose 0.3 to 94.3.

The French franc was the weakest member of the EMS yesterday, losing ground to the Spanish peseta and the D-Mark at the Paris fixing. The peseta was around its ceiling against the franc, but there was no obvious central bank intervention.

## EURO-CURRENCY INTEREST RATES

Rate	Start	7 Days	One Month	Three Months	Six Months	One Year
US Dollar	15-16 1/4	15-16 1/4	15-16 1/4	15-16 1/4	15-16 1/4	15-16 1/4
UK Sterling	8 1/2-8 3/4	8 1/2-8 3/4	8 1/2-8 3/4	8 1/2-8 3/4	8 1/2-8 3/4	8 1/2-8 3/4
Swiss Franc	4 1/2-4 3/4	4 1/2-4 3/4	4 1/2-4 3/4	4 1/2-4 3/4	4 1/2-4 3/4	4 1/2-4 3/4
German Mark	3 1/2-3 3/4	3 1/2-3 3/4	3 1/2-3 3/4	3 1/2-3 3/4	3 1/2-3 3/4	3 1/2-3 3/4
French Franc	2 1/2-2 3/4	2 1/2-2 3/4	2 1/2-2 3/4	2 1/2-2 3/4	2 1/2-2 3/4	2 1/2-2 3/4
Italian Lira	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4
Spanish Peseta	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Portuguese Escudo	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2
Belgian Franc	12-12 1/2	12-12 1/2	12-12 1/2	12-12 1/2	12-12 1/2	12-12 1/2
Dutch Guilder	6-6 1/2	6-6 1/2	6-6 1/2	6-6 1/2	6-6 1/2	6-6 1/2
Austrian Schilling	13-13 1/2	13-13 1/2	13-13 1/2	13-13 1/2	13-13 1/2	13-13 1/2
Japanese Yen	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4
South African Rand	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
South Korean Won	100-100 1/2	100-100 1/2	100-100 1/2	100-100 1/2	100-100 1/2	100-100 1/2
Thai Baht	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2
Indonesian Rupiah	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2
Singapore Dollar	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4
Malaysian Ringgit	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4
Philippine Peso	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Chinese Yuan	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Indian Rupee	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Pakistani Rupee	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Thai Baht	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2
Indonesian Rupiah	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2
Singapore Dollar	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4
Malaysian Ringgit	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4
Philippine Peso	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Chinese Yuan	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Indian Rupee	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Pakistani Rupee	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2

Long term Eurodollar: two years 9 1/2-9 3/4 per cent; three years 9 3/4-10 1/4 per cent; four years 10 1/4-10 3/4 per cent; five years 10 3/4-11 1/4 per cent. Short term rates are call rates for US dollars and Japanese Yen; others, two day notice.

Forward premiums and discounts apply to the US dollar.

STERLING INDEX

Rate	Start	7 Days	One Month	Three Months	Six Months	One Year
US Dollar	15-16 1/4	15-16 1/4	15-16 1/4	15-16 1/4	15-16 1/4	15-16 1/4
UK Sterling	8 1/2-8 3/4	8 1/2-8 3/4	8 1/2-8 3/4	8 1/2-8 3/4	8 1/2-8 3/4	8 1/2-8 3/4
Swiss Franc	4 1/2-4 3/4	4 1/2-4 3/4	4 1/2-4 3/4	4 1/2-4 3/4	4 1/2-4 3/4	4 1/2-4 3/4
German Mark	3 1/2-3 3/4	3 1/2-3 3/4	3 1/2-3 3/4	3 1/2-3 3/4	3 1/2-3 3/4	3 1/2-3 3/4
French Franc	2 1/2-2 3/4	2 1/2-2 3/4	2 1/2-2 3/4	2 1/2-2 3/4	2 1/2-2 3/4	2 1/2-2 3/4
Italian Lira	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4
Spanish Peseta	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Portuguese Escudo	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2
Belgian Franc	12-12 1/2	12-12 1/2	12-12 1/2	12-12 1/2	12-12 1/2	12-12 1/2
Dutch Guilder	6-6 1/2	6-6 1/2	6-6 1/2	6-6 1/2	6-6 1/2	6-6 1/2
Austrian Schilling	13-13 1/2	13-13 1/2	13-13 1/2	13-13 1/2	13-13 1/2	13-13 1/2
Japanese Yen	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4
South African Rand	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
South Korean Won	100-100 1/2	100-100 1/2	100-100 1/2	100-100 1/2	100-100 1/2	100-100 1/2
Thai Baht	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2
Indonesian Rupiah	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2
Singapore Dollar	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4
Malaysian Ringgit	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4
Philippine Peso	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Chinese Yuan	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Indian Rupee	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Pakistani Rupee	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2

Forward premiums and discounts apply to the US dollar.

STERLING INDEX

Rate	Start	7 Days	One Month	Three Months	Six Months	One Year
US Dollar	15-16 1/4	15-16 1/4	15-16 1/4	15-16 1/4	15-16 1/4	15-16 1/4
UK Sterling	8 1/2-8 3/4	8 1/2-8 3/4	8 1/2-8 3/4	8 1/2-8 3/4	8 1/2-8 3/4	8 1/2-8 3/4
Swiss Franc	4 1/2-4 3/4	4 1/2-4 3/4	4 1/2-4 3/4	4 1/2-4 3/4	4 1/2-4 3/4	4 1/2-4 3/4
German Mark	3 1/2-3 3/4	3 1/2-3 3/4	3 1/2-3 3/4	3 1/2-3 3/4	3 1/2-3 3/4	3 1/2-3 3/4
French Franc	2 1/2-2 3/4	2 1/2-2 3/4	2 1/2-2 3/4	2 1/2-2 3/4	2 1/2-2 3/4	2 1/2-2 3/4
Italian Lira	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4
Spanish Peseta	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Portuguese Escudo	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2
Belgian Franc	12-12 1/2	12-12 1/2	12-12 1/2	12-12 1/2	12-12 1/2	12-12 1/2
Dutch Guilder	6-6 1/2	6-6 1/2	6-6 1/2	6-6 1/2	6-6 1/2	6-6 1/2
Austrian Schilling	13-13 1/2	13-13 1/2	13-13 1/2	13-13 1/2	13-13 1/2	13-13 1/2
Japanese Yen	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4
South African Rand	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
South Korean Won	100-100 1/2	100-100 1/2	100-100 1/2	100-100 1/2	100-100 1/2	100-100 1/2
Thai Baht	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2
Indonesian Rupiah	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2
Singapore Dollar	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4
Malaysian Ringgit	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4
Philippine Peso	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Chinese Yuan	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Indian Rupee	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Pakistani Rupee	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2

Forward premiums and discounts apply to the US dollar.

STERLING INDEX

Rate	Start	7 Days	One Month	Three Months	Six Months	One Year
US Dollar	15-16 1/4	15-16 1/4	15-16 1/4	15-16 1/4	15-16 1/4	15-16 1/4
UK Sterling	8 1/2-8 3/4	8 1/2-8 3/4	8 1/2-8 3/4	8 1/2-8 3/4	8 1/2-8 3/4	8 1/2-8 3/4
Swiss Franc	4 1/2-4 3/4	4 1/2-4 3/4	4 1/2-4 3/4	4 1/2-4 3/4	4 1/2-4 3/4	4 1/2-4 3/4
German Mark	3 1/2-3 3/4	3 1/2-3 3/4	3 1/2-3 3/4	3 1/2-3 3/4	3 1/2-3 3/4	3 1/2-3 3/4
French Franc	2 1/2-2 3/4	2 1/2-2 3/4	2 1/2-2 3/4	2 1/2-2 3/4	2 1/2-2 3/4	2 1/2-2 3/4
Italian Lira	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4
Spanish Peseta	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Portuguese Escudo	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2
Belgian Franc	12-12 1/2	12-12 1/2	12-12 1/2	12-12 1/2	12-12 1/2	12-12 1/2
Dutch Guilder	6-6 1/2	6-6 1/2	6-6 1/2	6-6 1/2	6-6 1/2	6-6 1/2
Austrian Schilling	13-13 1/2	13-13 1/2	13-13 1/2	13-13 1/2	13-13 1/2	13-13 1/2
Japanese Yen	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4
South African Rand	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
South Korean Won	100-100 1/2	100-100 1/2	100-100 1/2	100-100 1/2	100-100 1/2	100-100 1/2
Thai Baht	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2	20-20 1/2
Indonesian Rupiah	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2	1000-1000 1/2
Singapore Dollar	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4
Malaysian Ringgit	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4	1 1/2-1 3/4
Philippine Peso	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Chinese Yuan	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Indian Rupee	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2
Pakistani Rupee	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2	10-10 1/2

Forward premiums and discounts apply to the US dollar.

STERLING INDEX

US\$	1.8175 - 1.8300	1.8200 - 1.8210	1.06-1.04cmm	6.92	2.94-2.91mm	6.43
Canada	1.6300 - 1.6370	1.6310 - 1.6320	0.31-0.28cmm	2.10	0.83-0.73cmm	1.91
UK	1.1510 - 1.1540	1.1525 - 1.1535	0.54-0.57cmm	-5.78	1.54-1.50cmm	-5.41



**CANADA**

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**FINANCIAL TIMES**  
Europe's Business Newspaper







**NASDAQ NATIONAL MARKET**[illegible]

**4pm prices  
July 18**

PV 5th										PV 8th										PV 8th										PV 8th									
Stock	Dr%	St%	High	Low	Close	Chg	Stock	Dr%	St%	High	Low	Close	Chg	Stock	Dr%	St%	High	Low	Close	Chg	Stock	Dr%	St%	High	Low	Close	Chg												
ACT	28	155	155	154	154	+	ConAur	10	1200	54	54	54	+	Stock	17	100	100	100	100	100	100	Pharm	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
FDG	28	155	155	154	154	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
AT&T	130	100	100	100	100	+	Core	10	100	54	54	54	+	Highly	17	110	110	110	110	110	110	Phy	10	100	100	100	100	100											
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## AMERICA

## Disappointing quarterlies and inflation data hit Dow

## Wall Street

A LARGER than expected rise in June consumer prices, coupled with a raft of corporate earnings disappointments, sent the Dow Jones Industrial Average tumbling yesterday, writes Janet Bush in New York.

The Dow closed 18.07 off at 2,981.68 on moderate volume of 169m shares. On Tuesday, it ended unchanged at 2,999.75 as stocks continued to experience resistance at the 3,000 level.

The consumer prices index rose 0.5 per cent in June, giving a compounded annual rate of 6.7 per cent. Excluding the volatile food and energy components, the CPI was still up by 0.4 per cent. This was higher than financial markets had anticipated, and Mr Alan Greenspan, chairman of the US Federal Reserve who was giving his semi-annual Humphrey-Hawkins testimony on monetary policy to Congress yesterday, said that it was higher than he liked.

The CPI served to focus market attention on inflation trends. Mr Greenspan said the Fed now believed that the risk of recession was somewhat greater than the risk of an upturn in inflation. This was taken, at least in the Treasury bond market, as an indication

that the Fed is prepared to tolerate a higher rate of inflation in order to keep the economy growing.

This interpretation sent bonds down by around 7/8 of a point at the long end of the yield curve, which in turn kept equities on the defensive. For the share market, Mr Greenspan's message was mixed, with concern about inflation balanced by reassurance that the Fed is committed to economic growth.

Given that the latest round of quarterly corporate earnings has yielded quite a few disappointments as company profitability is eroded by sluggish economic growth, Mr Greenspan's apparent commitment to avoiding a recession may come as some comfort. Indeed, stocks bounced a little as the first Greenspan statements emerged.

Polaroid was one of yesterday's obvious casualties, dropping 3 1/2% to \$36.40 on announcing a 23 per cent decline in second-quarter earnings, compared with a year ago, and saying that it expected operating profits for the full year to be flat or slightly lower.

On the over-the-counter market, MCI Communications fell 1 1/2% to \$36.14 in sympathy with continuing disappointment about Tuesday's earnings from

United Telecommunications. Eli Lilly weakened 3 1/2% to \$88 after a New York woman filed a lawsuit charging that the anti-depressant drug Prozac, marketed by Lilly, had caused her to attempt suicide.

This may well be a landmark case because it involves a drug widely hailed as a wonder drug for treating depression. Xerox added 1 1/2% at \$47.75 after its top two executives said it plans to pull out of any financial services operation which does not promise at least a 15 per cent average annual return on equity.

## Canada

THE US consumer price data also acted as a depressant for the Toronto market, which extended Tuesday's fall over a broad front in light trading.

The composite index ended 32.5 down at 3,580.3, its low for the day, making a two-day loss of 58 points. Declines outscored advances by 345 to 189 and volume contracted to 17.1m shares from the previous day's 20.5m. Canadian Pacific Forest Products lost 3 1/4% to C\$28.00 reporting a drop in second-quarter earnings to 15 cents a share from C\$1.66. MacMillan Bloedel, with second-quarter net down to 25 cents from 61 cents, declined 3 1/4% to C\$17.

## EUROPE

## Transatlantic threat to senior bourses' strength

SENIOR markets were mostly better yesterday, although their performance was not improved by Wall Street's opening decline, writes Our Markets Staff.

FRANKFURT was invigorated by some very big buy orders from New York which arrived in Tuesday's after-market and carried over into yesterday. They included one for 15,000 Allianz shares, which added up to nearly DM45m at Tuesday's closing price of DM2.93 a share, against turnover of DM152m in the stock that day.

Allianz closed DM152 higher yesterday at DM3,075 in trade of DM52m. The FAZ index put on 14.03 to 322.07 at mid-session and the DAX index closed 37.04 or 1.9 per cent higher at 1,865.04 against its 1990 high of 1,865.55.

Volume took off, rising by DM3.9m to DM11.6m. Among active stocks were Dresdner, up DM17 at DM47.25 after a good run which, on Tuesday, took it through the DM455 chart resistance level.

British institutions joined the American buyers, and equities also rose in response to the improving bond market: an 80 pps gain in bond futures, closing at their high for the day, compared with a normal intraday movement of 50 pps.

This shored up the financials: banks and insurances were broadly, and relatively, strong. Chemicals slowed a little after their recent outperformance and carmakers, too, were muted. Although VW rose DM7.20 to DM233.3 after its recent downgrading.

MILAN breathed a sigh of relief that Lombardini, the local broker, had managed to resolve its financial predicament thanks to political pressure on its banks.

The banks reportedly agreed to buy stock in Paf, a holding company, from Lombardini which allowed it to meet its stock settlement obligations. Consequently fears that Lombardini would have to dump more stock on the market faded.

Banks led the gains in trading dominated by domestic professional traders covering short positions. The Comit index rose 9.82 to 746.02.

AMSTERDAM was unmoved by an unexpected profit-taking from Pirelli Tyre, which prompted analysts to cut their 1990 and 1991 earnings forecasts. The stock, which was floated last July at a price of

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## Bombay resumes record-breaking course

The bull run seems to have survived the recent political tremors, writes R.C. Murthy

THE POLITICAL crisis which rocked Prime Minister V.P. Singh's administration last weekend appears to have been a short-term affair, both for the Government and the stock market which reflected it.

The seven-month-old coalition National Front Government ran into trouble with the appointment of the son of Deputy Prime Minister Devi Lal as the chief minister for the northern state of Haryana. The 30-share index of the Bombay Stock Exchange (BSE), India's largest and accounting for two-thirds of national trading, dipped nearly 34 points on Monday to 885.33, the sharpest fall since the present rally began more than a month ago.

However, the crisis was defused when Mr Lal's son resigned from the offending post, on Tuesday. The BSE index recovered to 930.60, or 3.45 per cent, to 916.83, and yesterday it rose to a record high of 926.92.

The market, therefore, is

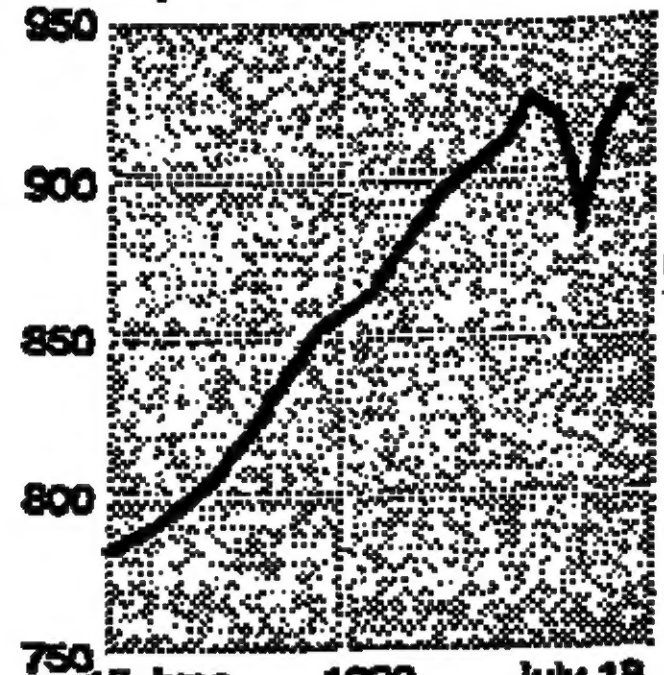
unequivocally back in a strong bull phase. Before last weekend, share prices had surged by more than 17 per cent in a month. Daily average turnover doubled to Rs1.76bn (\$122m) in June from February's level of Rs880m.

The foundations of the rally were set in May, when the Government liberalised industrial policy and carried industry deregulation a step forward by facilitating foreign investment up to 40 per cent of equity of any given Indian company. The situation on the Indo-Pakistan front defused, and blue chip companies reported excellent annual results, lifted dividends and announced scrip issues. Monsoon rains came on time early in June, holding out good harvest prospects for the third year in succession.

The equity market ignored these strong fundamentals for a while; but in mid-June, Associated Cement Companies (ACC) and Bombay Dyeing and Manufacturing brought out the

## India

## Bombay SE 30 Index



bulls on the eve of their annual results.

ACC, the price of which doubled to more than Rs700 in a month, is still on the upgrade; official measures to contain the speculation have had little effect. First a cash margin of Rs400 was stipulated for ACC purchases, followed by quantitative restrictions on trading. Mutual funds took the opportu-

nity to sell shares and book profit.

On July 6, the Unit Trust of India, the country's biggest domestic mutual fund, offloaded Rs100m worth of shares, including Rs40m accounting for 1 per cent of ACC capital. This made little impact on share prices, the 30-share index staying flat at 896.

Ultimately, the BSE authorities suspended trading in ACC for the day on July 13, which was 24 hours before the political crisis hit the news. Brokers are indefinitely prohibited from increasing their gross outstanding positions from the weekend levels in six other shares besides ACC, and jobbers have been told to restrict their business, which will be scrutinised daily. In spite of the restrictions, ACC jumped Rs100 to Rs900 on Tuesday, and consolidated with another Rs100 gain to Rs1000 yesterday.

Not all of the market feels that the political crisis has blown over for good and all. One section sees prospects for

Reliance Industries, the industrial company which grew fastest during the Rajiv Gandhi administration but which took a beating from the present regime. Once a blue chip, the shares plunged during this period from a peak of Rs390 four years ago to about Rs90 earlier this year. However, last week it bounced back to about Rs350, and analysts say that it would benefit from a renewal of political uncertainty.

Meanwhile, the broad market is confident. Mutual funds are expected to invest Rs25bn in corporate stocks this year, double the amount they put into the market last year, anticipating a continued surge in share prices. There have been few new capital issues this year and the focus of investors is on the secondary market. Some analysts say that the 30-share index may cross the 1,000 level before the bull phase peters out - unless something unforeseen happens.

## ASIA PACIFIC

## Nikkei's climb reversed by interest rate rise

## Tokyo

HIGHER short-term interest rates caused share prices to close lower yesterday for the first time in six trading sessions, writes Michio Nakamoto in Tokyo.

Investors turned cautious after a five-day rally in which the Nikkei average had gained more than 1,000 points. The market began the day on a weak note and failed to recover, with the average closing 100.35 down from the 33,000 level at 33,045.11, down 124.17.

During the day the Nikkei moved from a high of 33,185.80 to a low of 32,971.95. Declines outnumbered advances by 505 to 446 and 178 issues were unchanged. The 10 most heavily traded issues, however, were all higher.

Volume was on the same level as on Tuesday at 600m shares. The Topix index of all listed stocks recorded 9.53 to 2,397.78 in London trading the JSE/Nikkei 50 index edged up 0.47 to 1,789.35.

Interest rate worries continued to colour the mood of the market; investors took profits on issues that had risen strongly recently. Blue chips, in particular, were casualties, with Sony down 980 at Y8,900 and NEC at Y8,400. Fuji Photo Film lost Y100 to Y4,410.

Banks were also sluggish in the face of higher interest rates. Industrial Bank of Japan shed Y100 to Y4,000 and Daiichi Kangyo Bank dropped Y40 to Y2,410.

On the other hand, issues supported by special situations posted strong gains. Nippon Light Metal, the largest domestic aluminium producer, topped the active list with 25.5m shares traded and gained Y100 to a record Y1,190.

The stock was favoured because of the strength of growing aluminium demand, especially from carmakers, which are increasingly using aluminium for components. Dealers are also pushing cars from environmentalists to improve mileage, and one way

of doing this is to use lighter metals such as aluminium. In addition, Nippon Light Metal was expected to post record pre-tax profits for the current business year and was subject to rumours that a subsidiary might go public.

Issues backed by talk of speculative interest were strong, with Kurabo, the textiles company, holding second place on the active list with 18.5m shares traded and rising Y80 to Y1,150. The issue has been chased on rumours that the same speculative group that has been buying into Honshu Paper was also chasing Kurabo.

Paper companies stayed in the limelight, with Jujo Paper taking over from Honshu as the sector favourite. Jujo advanced Y100, the maximum amount allowed, to Y970 on rumours of speculative interest. Sanjo Kokusaku Pulp rose Y74 to Y778, while Honshu finished unchanged at Y2,410 after its 15 per cent gain in the five days to Tuesday.

Infrastructure-related issues continued to be popular. The

Japanese Government is committed to spending Y400bn on public infrastructure improvement over the next decade, and a number of Japanese securities firms have launched funds targeting stocks likely to benefit from public spending. Nippon Road, a road paver, gained Y90 to Y2,240 and Nishimatsu Construction, which has expertise in civil engineering, advanced Y70 to Y1,480.

Buying interest was low in Osaka, where the OSE average closed 11.27 higher at 36,741.6. Turnover fell from Tuesday's 73m shares to 55m.

## Roundup

IT WAS a good day for Hong Kong, Thailand and South Korea, but most other regional markets eased.

HONG KONG surged 1.8 per cent in its biggest gain since February, as bulls stormed back after a two-day breather encouraged by signs of easing credit. The Hang Seng index rose 64.35 to 3,528.29, its ninth post-crash high in less than three weeks. Turnover swelled

to HK\$2.28bn from HK\$1.77bn. BANGKOK climbed to a record level on encouraging corporate earnings reports, ignoring the start of a no-confidence debate in Parliament. The composite SET index rose 31.19 to an all-time peak of 1,095.29.

SEOUL firmed, reflecting hopes that South Korea would soon improve diplomatic relations with the Soviet Union and reports that foreigners might be allowed to buy local stocks next year. The composite index rose 15.00 to 2,560.1. SINGAPORE slipped, although a new issue, Hotel Plaza, made an assertive debut. The stock, offered at 70 cents a share, jumped to \$91.04 and accounted for one third of the day's turnover.

Development & Commercial Bank fell 6 cents to \$51.61 on news that UIC was selling its 20 per cent equity stake to the Malaysian brokerage Rashid Hussain for M\$22.5m, or about \$8.32 a share. UIC rose 5 cents to \$82.91, as the sale was expected to reduce its debt. The Straits Times Industrial

index lost 5.12 to 1,855.92. MANILA was dragged lower by a sell-off in mining shares on concern that Monday's earthquake would cause sharp decline in production. The composite index fell 14.56 to 822.2.

NEW ZEALAND responded to the news that Brierley Investments had lifted its stake in Carter Holt Harvey to 9.5 per cent from 4.8 per cent, at a cost of NZ\$85.5m, buying from Kronrod Corp. Brierley Investments lifted 1 cent to NZ\$1.56 while CHH also added 1 cent to NZ\$3.07. The Barclays index shed 1.93 to 1,988.99 as turnover rose to 15m shares or NZ\$23m from 11m or NZ\$22m.

AUSTRALIA was easier as the All Ordinaries index lost 8.5 to 1,615.5. Turnover fell to 99m shares or A\$238m from 113m shares or A\$290m. BHP lost 15 cents to A\$10.75, after earlier reaching a two-year high of A\$10.90. TAIWAN lost ground in its turn-of-the-century trading. The weighted index dipped 45.7 to 4,777.84. KUALA LUMPUR ended easier after a strong opening.

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NATIONAL AND REGIONAL MARKETS																	
	WEDNESDAY JULY 18 1980								TUESDAY JULY 17 1980				DOLLAR INDEX				
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DAX Index	Local Currency Index	Local % chg on Day	Gross Div. Yield	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DAX Index	Local Currency Index	1980 High	1980 Low	Year ago (p.p.m.)
Australia (80)	151.91	-0.1	128.71	141.39	127.61	-0.4	5.46	122.08	124.44	142.62	130.15	128.06	126.31	125.85	158.31	126.65	134.52
Austria (18)	275.70	+1.2	224.53	226.57	224.78	+0.7	1.34	271.72	222.32	224.51	222.65	223.15	225.83	193.15			
Belgium (61)	126.02	+0.6	124.02	124.22	124.74	+0.2	4.38	122.08	124.44	142.62	130.15	127.52	128.06	126.31	132.11	131.33	
Canada (103)	140.19	-0.4	140.69	120.14	117.40	+0.7	3.45	129.23	118.55	124.43	120.95	117.82	118.01	121.27	130.61	120.77	145.66
Denmark (33)	268.58	+0.5	218.78	224.53	224.78	+0.7	1.27	271.72	222.32	224.51	222.65	223.15	225.83	193.15	158.31	126.65	210.57
Finland (20)	134.03	+0.1	109.15	120.74	114.92	107.59	-0.3	2.54	133.53	109.58	125.60	114.61	108.21	108.21	152.28	152.28	
France (124)	161.74	+0.6	131.72	126.56	139.19	136.92	+0.5	2.23	180.84	131.80	126.01	137.82	126.31	126.31	168.85	141.69	126.05
Germany (122)	126.02	+0.6	124.02	124.22	124.74	+0.2	4.38	122.08	124.44	142.62	130.15	127.52	128.06	126.31	132.11	131.33	
Hong Kong (14)	145.71	+0.1	118.68	135.62	124.51	145.29	+1.2	1.86	133.24	113.93	120.95	116.15	119.15	141.98	122.05	104.05	
Ireland (17)	167.40	+0.2	162.61	174.43	160.12	161.84	+0.1	2.71	168.92	152.96	175.31	169.98	161.86	157.27	146.43	112.24	90.61
Italy (92)	107.62	+0.1	87.65	100.17	91.96	86.73	+1.5	2.43	105.69	86.67	94.33	90.65	95.33	109.26	81.85	91.45	
Japan (164)	155.35	+0.3	126.52	144.63	144.63	144.63	0.0	0.58	144.63	126.78	145.38	126.31	145.31	197.28	124.40	177.36	
Malaysia (35)	248.91	-0.1	202.71	231.57	212.68	253.17	-0.2	0.99	225.19	225.63	213.19	228.33	240.12	204.15	180.28	193.65	
Mexico (13)	532.24	+0.9	433.45	485.41	454.78	573.62	+0.9	0.31	527.46	481.57	494.82	451.39	469.58	549.86	504.83	552.73	
Neanderthal (43)	145.80	+0.4	118.74	133.71	124.58	128.74	-0.6	4.58	124.58	116.75	137.25	125.25	123.91	146.33	125.00	125.00	
New Zealand (17)	70.03	+0.0	57.50	61.75	60.35	63.25	0.0	6.85	70.03	67.79	69.24	60.44	63.57	75.36	59.67	59.67	
Norway (23)	248.17	-0.4	202.92	231.58	212.69	253.17	-1.0	0.99	225.19	225.63	213.19	228.33	240.12	204.15	180.28	193.65	
Singapore (26)	209.19	+0.0	170.38	184.72	176.74	175.02	-0.1	2.08	204.24	171.20	186.71	173.05	175.15	209.24	173.05	180.61	
South Africa (80)	178.14	-0.2	145.08	165.81	152.21	154.83	-0.6	3.84	173.59	146.12	167.47	155.73	155.83	251.39	170.00	148.94	
Spain (42)	173.21	-1.3	145.95	166.81	153.13	156.85	-1.8	4.01	182.05	148.96	170.73	152.79	139.37	182.25	134.64	151.29	
Sweden (10)	220.17	+0.2	175.37	214.94	196.67	220.17	-0.3	2.00	228.81	186.03	215.51	195.67	203.19	232.74	173.99	177.80	
Switzerland (68)	106.82	-0.8	86.99	96.43	91.28	93.28	-0.8	2.21	107.68	82.15	106.86	82.15	106.86	106.86	82.15	82.15	
United Kingdom (305)	176.18	+0.0	143.48	163.97	150.25	143.48	-0.4	4.76	174.12	144.12	165.16	150.72	144.12	173.18	138.18	155.21	
USA (539)	147.02	-0.9	119.73	136.85	125.62	147.02	-0.9	3.31	148.39	121.40	136.10	123.93	148.38	146.95	130.61	136.63	
Europe (981)	158.65	+0.4	127.58	146.81	138.86	138.86	+0.1	3.92	156.91	127.65	146.13	133.51	138.05	158.65	135.67	126.60	
Nordic (116)	216.52	+0.2	176.34	201.54	188.01	179.96	-0.4	1.89	216.03	177.80	202.84	184.82	180.21	216.63	185.01	171.29	
Scandinavia (659)	145.73	+0.3	124.73	136.85	125.62	145.73	-0.4	0.89	154.33	128.29	144.73	133.07	144.33	182.75	124.63	173.13	
North America (162)	155.94	+0.3	126.95	143.13	133.23	139.81	-0.2	2.97	156.43	129.23	144.73	133.07	144.33	174.18	131.49	130.36	
North America (659)	146.53	-0.9	119.33	136.40	125.22	145.05	-0.9	3.31	147.84	120.97	138.65	125.54	143.58	146.53	124.61	130.36	
Europe Ex. UK (672)	148.45	+0.7	116.83	133.25	122.60	122.65	-0.5	2.70	142.49	115.89	133.95	121.96	122.21	143.45	124.61	130.36	
Pacific Ex. Japan (305)	148.78	+0.5	119.48	136.85	125.36	128.83	+0.3	4.74	148.02	119.47	136.95	124.97	129.39	146.72	122.33	121.18	
World Ex. Japan (163)	151.91	-0.1	128.71	141.39	127.61	-0.4	5.46	122.08	124.44	142.62	130.15	128.06	126.31	125.85	158.31	126.65	
World Ex. UK (2068)	148.18	-0.1	121.49	138.57	128.43	141.29	-0.5	2.03	145.99	127.14	145.73	136.95	136.22	173.71	130.31	154.35	
World Ex. So. Japan (2911)	151.41	-0.1	128.31	140.28	129.39	141.38	-0.5	2.45	151.59	124.03	142.12	129.74	140.63	151.84	131.86	140.63	
World Ex. So. Japan (1917)	151.15	-0.3	128.08	140.68	129.15	140.02	-0.4	3.46	151.59	124.03	142.12	129.74	140.63	151.84	131.86	140.63	
The World Index (237.1)	151.58	-0.1	123.44	141.09	129.52	141.46	-0.5	2.46	151.74	124.16	136.10	123.93	148.38	142.10	162.05	152.25	147.01
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